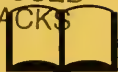




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**CITY AND COUNTY OF SAN FRANCISCO**

**OFFICE OF THE TREASURER**

110 CITY HALL  
SAN FRANCISCO, CALIFORNIA 94102

**THOMAS C. SCANLON**

TREASURER  
558-4575

**GIN L. SO**

CHIEF ASSISTANT TREASURER  
558-4575

August 30, 1979

INHERITANCE TAX DIVISION  
558-4488

INVESTMENT DIVISION  
558-4688

The Honorable Dianne Feinstein  
Mayor of San Francisco  
200 City Hall  
San Francisco, CA 94102

SEP 11 1979

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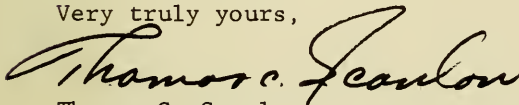
Dear Mayor Feinstein:

I am pleased to transmit the annual report of the Office of the Treasurer for Fiscal Year 1978-79.

We have had our most successful year ever in the area of investment. We are looking to continued improvement in the Cash Management programs.

Our comments for this year are limited to the Office of the Treasurer. Our target for the coming year will be to introduce programs that will produce the same level of efficiency into the bureau of tax collection that we now enjoy in the Office of the Treasurer.

Very truly yours,



Thomas C. Scanlon  
Treasurer

TCS:jj

cc: Gilbert H. Boreman, Clerk of the Board of Supervisors  
John C. Farrell, Controller



ANNUAL REPORT OF THE TREASURER, CITY AND COUNTY OF SAN FRANCISCO,  
AS OF JUNE 30, 1979,

FOR

FISCAL YEAR 1978-79 . -

The Annual Report of June 30, 1979, will encompass many areas of new concern to the Treasurer including the consolidation of office of Tax Collector under the office of Treasurer. We will preview programs for the coming year as we will also review the progress of programs proposed for the year ending June 30, 1979.

As we review our previous report of June 30, 1978, we mention that the major projects which had been in preparation for a change-over on July 1, and to which we had devoted much of our time were in these major areas:

1. Investments
2. TAPPS
3. FAMIS
4. FIRM

Investments. The report of the investment offices is a separate part of this report. It is worth repeating that our total interest earnings for the year were \$42 million of which \$29.8 million was for the General Fund.

TAPPS. The TAPPS program, which is the school department's proposal for total accounting, personnel and payroll systems, (TAPPS), has been delayed. It was the intention of the San Francisco Unified School District to have achieved total accounting independence by January 1, 1979. However, the school district's program was probably the first one which was purposely



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delayed as a result of Proposition 13. As we look toward the coming year and again the projected date of January 1, 1980, for fiscal independence for the San Francisco Unified School District, we see as probably the major stumbling block in implementing those plans SB 17, "Bail-out Bill," presently being amended by the Legislature in Sacramento. Among the many serious problems that the current bail-out bill proposes is a change in school financing throughout the State of California. While the Legislature is now leaning toward assuming the local budgets of school districts, which the State of California would pay as a grant or subvention, the Legislature is cognizant of the Serrano decision which mandates the quality and spending per student cost throughout the State. In view of this as yet undetermined solution by the Legislature, the TAPPS program is again being delayed.

During the current year, it was the suggestion of the Treasurer of the City and County of San Francisco that Tax Anticipation Notes should be used as a manner of financing the school budget. The proposal was based upon the then current rate of return of approximately 10 per cent while Tax Anticipation Notes could be sold somewhere in the area of 5 per cent to 6 per cent. It seemed fiscally imprudent to use General Fund monies earning such a high rate of interest to finance the school district when the school district could finance its own budget by selling Tax Anticipation Notes. This solution was never resolved because it was determined by our bond counsel that if the City and County of San Francisco were to issue Tax Anticipation Notes, it would be an admission that the City did not have sufficient surplus



funds to finance the school department. It was agreed by the Treasurer, the Controller and the bond counsel that the school department, itself, should initiate the sale of Tax Anticipation Notes. However, in view of the questionable financing in bail-out funds from the State and the possible assumption by the State of California of the cost of local school programs, we have at least postponed for this year the possibility of selling Tax Anticipation Notes as a manner of financing the school department. Concurrently, we have delayed the implementation of the TAPPS program for the current year.

FAMIS. Among our concerns of 1978 was the implementation of the FAMIS system. This system involves the use of magnetic encoding on soft warrants which, when redeemed by the bank, are sequentially listed and codified on magnetic tape which is then processed through the computer in City Hall. The implementation of this system, as also all other systems, created some problems which we thought were serious but which turned out to be minor problems. When we initiated the FAMIS system and the bank was unable to process nearly 50 per cent of the warrants, we feared that we had incompatible systems between the bank and the City of San Francisco. It was soon determined that the only failure was on the part of the supplier in producing the stock of warrants, and the magnetic ink used for encoding was not properly applied in the read area of the warrant. When that stock was disposed of and a new supply used, the FAMIS system became operative and is now working well.

FIRM. The third area of concern was the FIRM project. The FIRM system has been successfully implemented in a few departments



in the City particularly two of the more difficult departments-- the Department of Social Services and the Recreation and Parks Department. The combined offices of Treasurer-Tax Collector are now on the FIRM accounting system as of July 1, 1979. We have a combined budget program for the current fiscal year 1979-80. We are working with the Mayor's Office in the implementation of work programs, etc., through the FIRM system.

As stated above, these were the concerns that faced us on July 1, 1978.

I would now present the changes that have transpired during the year in the office of the Treasurer and are now in effect as of July 1, 1979.

Consolidation of Offices of Treasurer-Tax Collector. On the ballot of November 1978, Proposition "C" was presented to the electorate of San Francisco which among other things removed the office of Tax Collector from the Director of Finance and Records and placed it under the office of Treasurer. At that election, Proposition "C" was overwhelmingly endorsed by 76 per cent of the voters. As a result of that election, and since that time, the offices of the Chief Administrative Officer, the Treasurer and the Tax Collector have met to produce the orderly transition. During the year, the Treasurer was successful in persuading the Mayor to allow the restoration of travel allowance of \$750 to prepare himself to accept the awesome responsibility of assimilating 115 employees into an office of 22 employees. Therefore, in anticipation of those duties that would become his responsibility, he prevailed upon the Mayor to allow the use of expense funds for travel in the amount of





\$750 so that he might see on site the various operations throughout the State of California. And so on the weekend of April 7, he drove to San Diego, prepared and prearranged to visit the major tax offices to establish a sampling of their procedures. It was important, if he were to do a true comparison, to be on site during the impact season of real estate collections. He visited San Diego County on the morning of April 9, Riverside County in the afternoon; Imperial County on the following morning, Orange County in the afternoon; Los Angeles County, Ventura County, Santa Barbara County, San Luis Obispo County, and so forth, until he returned to San Francisco. He saw the best systems available, some of which had cost currently up to \$8 million to install, and he saw the worst of the systems which are traditional hand operations with no mechanization or computer input for processing tax collections. However, this gave him an insight as to what our goals and objectives in San Francisco should be. In further transitional discussions with the Chief Administrative Officer, the Tax Collector and the Treasurer, it was determined that although five years ago it took as long as 30 days to process a tax collection, that time had been reduced by a reasonable number of days. The Tax Collector felt that 15 days was a reasonable period of time; however, the report the Treasurer presented on the basis of what he had seen showed that the mean average of all counties was four to five days. Therefore, we have set a goal of five days for future completion of routine tax collections for real estate. This does not mean that the tax charge will be completed but that the volume, impact and routine items will have been completed within five days.



Calculations by the FIRM project indicated that each day of delay represented \$17,500 in interest earnings. We are therefore aiming for speedy processing of tax collections although it may require the diversion of all employees within the tax collection office during the impact season to accomplish this. The tax bills for the coming year have been ordered; therefore, any changes for the current year are now to be disregarded as to change in procedure. However, on the basis of what we have seen, we will be better prepared after viewing changes which will be made throughout the State to adjust to new direct-payment processing equipment which is coming onto the market. The Treasurer's goal for the Tax Collector's office will be to install modern direct-payment processing equipment during the coming year. One item of equipment will cost approximately \$60,000. At the rate of interest loss as calculated above by the FIRM project people, this item will be cost effective and pay for itself during one collection period. He also intends to install an identical item of equipment in the Treasurer's office for the use of the Treasury division which over the period of the year will pay for itself in processing the number of items he receives. Additional savings will be the result of interest earnings by direct bank deposits and by the elimination of "float" which is the most costly bank charge applied to the Treasury operation. Therefore, the item of machinery in the Tax Collector's office, as well as another in the Treasurer's office which is identical and therefore compatible, will allow for the use of twice as much equipment to do the same job for tax collection processing while at the same time producing money-saving services



for the Treasurer's office.

The Treasurer is of the opinion that in view of the some 300 licenses that are required to be issued by the Tax Collector on an annual basis, certain weaknesses must exist. Among these, and probably the most serious of these weaknesses, is the notification to the taxpayer that a license fee is due. It is therefore also the Treasurer's intention to install a mini-computer within the office of the Tax Collector which will produce an output of notification and license fee to the taxpayer which should have the result of reducing clerical, stenographic, typing expense as well as increasing collections as the result of timely notification of license fees due.

Cash Manager. During the year, the Mayor's Office has established a Fiscal Advisory Committee which has been most helpful. A pro bono committee has studied some of the major problems facing the Treasurer, and among the solutions proposed was the creation of a position of Cash Manager. The creation of this position was reinforced by a City Attorney's opinion which said in effect that the Treasurer is mandated by the Government Code and the Charter of the City and County of San Francisco to receive all funds which have been deposited with all City departments by the next business day. The City Attorney's opinion went further and stated that the Treasurer is obligated to retrieve these funds where departments are not in compliance with the Charter and Government Code regulations. In addition to the creation of the position of Cash Manager, the Fiscal Advisory Committee studied the procedures of the various major money departments in the City and proposed a lockbox system.



The committee developed a bid proposal form which was offered to all the major banks in San Francisco, and the successful bidder will be awarded the contract for establishing a lockbox operation. This would mean that invoiced receipts of the Airports Commission, Port Commission, San Francisco General Hospital and Laguna Honda Hospital will be mailed directly to the successful bidder bank and will be process by that bank and deposited to the account of the Treasurer. This lockbox operation is now being used successfully by the San Francisco Water Department in processing water bill collections. In addition, on numerous occasions the Treasurer has received warrants and checks which have been delayed in the mailing or in the mail procedure by anywhere from five to ten days. It will be the duty of the Cash Manager to investigate such delays. In the case of larger warrants of State and Federal subventions, we have continually tried to direct those warrants to the office of the Treasurer. The Cash Manager will be alerted as to the diversion of any such warrants to any department, other than the Treasurer, and shall make the necessary changes to assure that the addressee is the Treasurer. In the case of regular State and Federal warrants such as school, welfare, gas tax, sales tax, etc., the Treasurer has arranged for deposit to his account at a bank in Sacramento.

It has been obvious that major items such as bail-out funds have been purposely delayed in the mailing or diverted in the delivery in order to delay the return of these items for collection in Sacramento. It is understandable that checks or warrants in amounts such as \$18 million, which would be San Francisco's share of the bail-out money, would result in a substantial amount





of interest. The Treasurers of the State of California realized that when the Controller mailed bail-out warrants the one-third share to the cities, counties and districts amounted to \$5 billion. Therefore, the Controller of the State of California would delay as long as possible the issuance and delivery of such warrants. The Treasurer, himself, has on many occasions returned items of substantial interest value to Sacramento to achieve "same day" good funds. It will now be the responsibility of the Cash Manager to anticipate followup, trace and retrieve such warrants for return to Sacramento for immediate interest earnings.

Legislation. During the current year, and in cooperation with our legislators in Sacramento, San Francisco has authored a number of changes in legislation that would be beneficial for investments. We were successful in proposing legislation to allow for the deposit of term certificates of deposit beyond one year. We have supported and testified in Sacramento for authorization to use repurchase and reverse repurchase agreements. Both of these bills have passed the Legislature, been signed by the Governor, and will be effective instruments of investment as of January 1, 1980. Additionally, we have supported legislation which will allow for pledges of mortgages as collateral for public funds which should give a greater portion of public deposits to the savings and loan institutions. Of course, the savings and loan industry does pay a higher rate of interest on deposits but does not at present have the required instruments of collateral in their portfolio. We have supported the inclusion of credit unions as institutions eligible for public fund deposits. Although we support the concept, and have supported Senate and Assembly



legislation, a Constitutional Amendment must be placed on the ballot to allow for the inclusion of credit unions.

The Treasurer of the City and County of San Francisco is the president of the State Association of County Treasurers during the current fiscal year; and will therefore continue to actively propose and support prudent legislation which will allow for greater latitude of public fund investments to the benefit of the county.

Bank Services. It is the intention of the Treasurer during the coming fiscal year to propose bids for services to the City. As in the case of lockboxes mentioned above, the winning bid was submitted by a bank which does not regularly service the accounts of the City and County of San Francisco. We therefore intend to ask for bid proposals on reconciliation of outstanding warrants, reconciliation of accounts, custody and safekeeping of our portfolio in bank or other financial institution vaults. We are satisfied with the services that are now provided by our major bank relationship; however, we feel that since we are processing in excess of two million warrants a year, approximately \$2 billion in turn around cash flow, \$400 million average daily investment, we may do better. This may mean that we must diversify our banking relationships among a number of institutions, some which are specialists in security and some are specialists in wholesale banking procedures. There is no doubt that we will be able to receive the same quality of bank services at a lesser cost.

Interest Claims. During the past year, we have had numerous claims for interest by various City departments. As you will note later in this report, our interest earnings for the current fiscal year ended June 30 have produced \$29.7 million to the



General Fund and a total of \$42 million for the various entities of the City. It is therefore not unreasonable to expect that various departments would place claims for interest earnings against the Treasurer. We have recently received a claim of \$650,000 from the San Francisco Unified School District. We have regularly consulted with the Retirement System about interest to which they are entitled but which we cannot provide because we do not have an average daily cash balance on which to base such calculations. At present, the investments that are earning interest applicable to their own funds are the Airport Revenue Bond Fund, Wastewater Management Fund, various museum funds and specific bequests. It has been the procedure for the Controller to apportion interest because the Controller has the average daily cash balance. The Controller has also taken the position that only those departments which have included projected interest earnings in their budgets, and thereby reduced their budget requirements, are entitled to interest earnings. It is also the Controller's position that when he requests our projected annual interest earnings figures, he includes them in the budget for determining the tax rate. It is therefore at this time improper to expect that the Treasurer, who must co-mingle all funds except specified funds, to apportion interest on those funds. It must be remembered that one of the more difficult determinations of investment is the term for which monies will remain in the Treasury for investment. Because of this precise information, we are able to extend our investments over a longer period of time and capture a higher rate of return. We know that much of our investable money is being held for bond interest and



redemption; and therefore we can extend those investments. The daily deposits of departments must be treated as short-term deposits and therefore earn a smaller rate of return. Because of this, the Treasurer disagrees with those entities that claim interest at the current rate of return. Only those departments which can specify the term for which their money will remain on deposit can identify the true rate of return which the City will earn on investments of these funds.





Inheritance Tax. We are pleased to report activities of the Inheritance Tax Division for Fiscal Year 1978-79. Most noticeable in our view was the largest commission earned by this county on collections since the inception of California Inheritance Tax on March 23, 1893. This amounted to \$93,481.36, which represents an 11 per cent increase from last year's previous high.

Secondly, as a result of the above, our interest earnings were increased by 77 per cent from \$45,372.43 to \$80,473.04. Perhaps at this time acknowledgment to the Investment Division is in order for the manner in which these funds drew interest. Our figure is based on a daily investment average of 9.12 per cent and held for eight days.

During the span of the year, we had 63 individual collections in excess of \$100,000.00. By special handling procedures of these substantial deposits, we were able to add to the amount of cash available for investment purposes. These procedures will continue to be implemented with the thought that in the upcoming fiscal year we may increase revenue.

Those were the financial highlights. Now to the workload factors: despite a small increase of 1 per cent in box inventories, we were able for the most part to reduce average waiting time to between eight and nine days. This was past years objective; however, to accomplish this, it was necessary to try experimentation in scheduling. Our first attempt was in "districting" whereby one examiner would spend the whole working day in a neighborhood with a prior high rate of inventories. For the most part, these areas were the Marina district, West Portal area and the outer Mission district.



Secondly, we tried an extended work day without "flex" hours by scheduling every hour on the hour from 9:00 a.m. to 3:00 p.m. (the banking hours), plus in the event some inventories would be small and of a nature that the work could be accomplished within a span of one-half hour, or less, additional appointments would be made on a "fill-in" basis. For example if a deputy had been given a schedule of 9:00 a.m at any bank or savings and loan institution and a 10:00 a.m. schedule at a nearby bank or savings and loan institution, we would add to the schedule a 9:30. a.m. appointment. This would increase the examiner's daily workload from an average of five or six boxes a day to eight or nine. However, it must be stressed that the deputy assigned to this type of duty gives up his/her lunch time, break and personal needs time. We are most fortunate to have as part of our work force persons of an unstinting nature.

Your attention is invited to our Exhibits "IT" which indicates again that through diligence and some voluntary cutbacks expenses incurred in the operation of the division were really a "bare bones" total. This in the company of the highest ever commission and interest earnings is the result of diligent awareness of cash flow and investment opportunities.



## INCOME vs EXPENSES

## A comparison

F/Y 78-79

F/Y 77-78

## Income:

|                 |   |                     |                     |      |
|-----------------|---|---------------------|---------------------|------|
| Commissions     | : | \$93,481.36         | \$84,526.82         |      |
| Fee tags        | : | 46.00               | 537.50              |      |
| Interest earned | : | 80,473.04           | 45,372.43           |      |
| Dormant account | : | -0-                 | 302.12              |      |
| Total earnings  | : | <u>\$174,000.40</u> | <u>\$130,738.87</u> | +33% |

## Expenses:

|                             |   |                     |                     |
|-----------------------------|---|---------------------|---------------------|
| Salaries                    | : | \$80,494.00         | \$82,611.00         |
| Fringe                      | : | 22,791.00           | 20,652.00           |
| Mileage                     | : | 1,090.50            | 1,271.16            |
| Telephone                   | : | 3,463.53            | 4,778.74            |
| Postage                     | : | 800.00              | 2,125.00            |
| Fast passes and local fares | : | 352.90              | 264.00              |
| Printing                    | : | 2,864.79            | 3,154.06            |
| Total expenses              | : | <u>\$111,856.72</u> | <u>\$114,855.96</u> |

|                     |  |             |             |       |
|---------------------|--|-------------|-------------|-------|
| Income over expense |  | \$62,143.68 | \$15,855.91 | +391% |
|---------------------|--|-------------|-------------|-------|



## SETTLEMENT REPORT OF THE TREASURER

OF San Francisco COUNTY

Of inheritance taxes received by him under the provisions of the Revenue and Taxation Code, Division 2, Part 8, and amendments thereto, from

June 21, 1979

to

June 30, 1979YEAR ENDTREASURER'S COMMISSIONS

|                                                       |                      |
|-------------------------------------------------------|----------------------|
| (1) Total Tax and Interest (Column 4 of IT-9)         | \$ <u>500,554.47</u> |
| Less: Refunds                                         | <u>- 0 -</u>         |
| (2) Net Amount Subject to Commission for Above Period | \$ <u>500,554.47</u> |
| (3) Commissions (from item (5) on reverse side)       | \$ <u>800.88</u>     |

AMOUNT DUE STATE

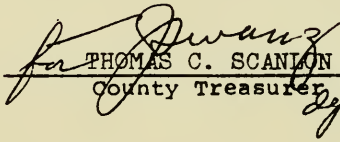
Collections (Column 4, IT-9)  
Receipts No. 95638 to 95739 inclusive \$ 500,554.47

## Deduct:

|                                        |                  |
|----------------------------------------|------------------|
| Referees claims (paid claims attached) | \$ <u>- 0 -</u>  |
| Commissions per item (3) above         | <u>800.88</u>    |
| Total Deductions                       | \$ <u>800.88</u> |

Net Amount Due State \$ 499,753.59

I declare under penalty of perjury that the foregoing is full, true and correct, according to the records of my office.

  
THOMAS C. SCANLON  
County Treasurer

July 2, 1979  
Date





# COMPUTATION OF COMMISSIONS

|                                                                                                |                         |
|------------------------------------------------------------------------------------------------|-------------------------|
| (4) Net amount subject to commission for period<br>(from item (2) on reverse side)             | \$ 500,554.47           |
| (a) Prior cumulative net collections for year<br>(item (4)(b) of last prior Settlement Report) | <u>39,206,551.31</u>    |
| (b) Total cumulative net collections to date                                                   | \$ <u>39,707,105.78</u> |
| (c) Commissions on (b) -- see table below                                                      | \$ <u>93,481.36</u>     |
| (d) Add 20% for qualified counties*                                                            | <u>- 0 -</u>            |
| (e) Total commissions to date                                                                  | <u>93,481.36</u>        |
| (f) Less: Prior commissions this year (item (4)(e)<br>of last prior Settlement Report)         | - <u>92,680.48</u>      |
| (5) Commissions for this period (to item (3) on reverse side)                                  | \$ <u>800.88</u>        |

\*Counties qualifying for additional 20%: Alpine, Inyo, Lassen, Mariposa, Modoc, Mono, Plumas, San Bernardino, Sierra and Trinity.

|                     |                  |
|---------------------|------------------|
| (4)(C) 8 M M        | 42,750.00        |
| 31,707,105.78 @.16% | 50,731.36        |
|                     | <u>93,481.36</u> |

## COMMISSION RATE TABLE

| <u>Amount of Collections</u> | <u>Amount of Commission</u>     |
|------------------------------|---------------------------------|
| \$ 0 - \$ 250,000            | 2.5%                            |
| 250,000 - 1,000,000          | \$ 6,250 + 1.0% over \$ 250,000 |
| 1,000,000 - 2,000,000        | 13,750 + 0.5% over 1,000,000    |
| 2,000,000 - 8,000,000        | 18,750 + 0.4% over 2,000,000    |
| 8,000,000 - 100,000,000      | 42,750 + 0.16% over 8,000,000   |
| Over \$100,000,000           | 189,950 + 0.1% over 100,000,000 |

Plus an additional 20% of the commissions computed above for counties with (a) an area exceeding 10,000 square miles or (b) a population density of less than 5 per square mile at the time of the last regular federal census. A county qualifying under both (a) and (b) shall receive only one 20% increment.



## INVESTMENT DIVISION

One of the functions of the Treasurer is to provide for the safekeeping of all monies and securities in his custody. He is responsible for investing those monies which will not be required for payment of current obligations in order to earn the maximum amount of interest income, while preserving the liquidity and safety of the principal. Prior to December of 1971, most of the City's money was in local banks, in certificates of deposit, and a minimum amount was in noninterest bearing checking accounts. In addition to the loss of interest as a result of the demand monies, the Treasurer was sometimes faced with a liquidity crisis because the certificates of deposit were nonnegotiable. Consequently, cancellation of the certificates of deposit would sometimes be the alternative to raise money to pay the obligations of the City, costing the City interest revenue.

In December of 1971, at the insistence of the current Treasurer, with authority granted by the Board of Supervisors, a new short term investment program was implemented which allowed investments in legal securities provided for in the State Government Code Section 53601. At this time our legal investments are United States Treasury obligations; obligations issued by agencies of the federal government; repurchase agreements; banker's acceptances; negotiable and non-negotiable certificates of deposit and commercial paper.

Fiscal year 1978-79 began with a financial crises caused by "Proposition 13". The City and County of San Francisco was faced with a "bare bones" budget looking for every dollar it could salvage due to a 66% cut in property tax revenue. In July of 1978, the



Treasurer projected that the annual interest earned for the fiscal year in the general fund, would be \$17,500,000.00 The investments at that time ranged from 5½% to 8½%; (currently, 9/1/79, the range of our investments are 7½% to 11½%) Interest rates were rising and our policy was to keep our investments very short term and take advantage of the rising yield curve. In January 1979, we made a policy decision to extend our maturities and lock-up a high yield for a longer period of time, thereby sacrificing an even higher current rate of return. Therefore, we can anticipate a continued higher than prevailing rate of return for the next two fiscal years, if interest rates continue to fall. Current investments are now being offered at less than our portfolio average of 10.15%

As a result of this investment strategy, the Treasurer's Office had the most successful year in its history. Earnings collected for the general fund amounted to \$29,793,637.63 with a rate of return of \* 9.27% on a average daily balance of \$333,046,045. This exceeded our budget estimate of \$17,500,000, by \$12,300,000 or 70%. Total interest collected, amounted to \$42,358,793.24, representing deposits of airport bond funds, sewer service bond funds, general and miscellaneous trust investments.

As of June 30, 1979, government securities invested totaled \$385,393,198.69, of this \$272,421,621.77 was in the general fund. Time deposits totaled \$189,055,357.00; of this \$123,839,000 was in the general fund. The balance of the funds invested were mostly

\* based on interest earned not collected



funds from the Airport Revenue Bond fund and Sewer Revenue Bond fund. Transactions totaled 690. Throughout the fiscal year we made 23 swaps, (the sale of one security for the purchase of another security) and added \$202,548.00 in additional interest to be reinvested. The ability to do swaps and trades enables us to take advantage of the volatility that occurs periodically in the market.

Sometimes the opportunity arises in the money market to sell a security for a profit before the actual settlement date. This situation occurred 13 times this fiscal year with a result of a trading profit of \$56,283 and the expenditure of no principal.

The investment division of the Treasurer's Office has been consistently in the top three counties in the State of California, including the State, in its performance. For this reason the Airport and the Waste Water department chose the Treasurer to invest their bond proceeds.

Since the current Treasurer took office in 1971, the investment division has emphasized performance through innovation and has changed from a simple depositor of City Revenues to a serious investor courted by the investment community. This fiscal year, as an example, we added a service to our computer system that enables us to maximize our overnight investments. This bank balance reporting system provides us with our actual bank balance, which is normally greater than





our book balance due to our deposit reporting method. In addition, this system provides us with our disbursement total. The receipt and disbursement information is available to us as early as 5:00 a.m. This combination of timely and accurate data to date, has resulted in an average daily increase in overnight interest of \$455.00, compared to a cost of just \$4.00 per day.

The Investment Division of the Treasurer's Office has gained national recognition for its performance and has served as a model for city, county and state treasurers throughout the country. We look forward to another challenging and successful year for 1979-80.



# SUMMARY

| GENERAL FUND            | 1978-1979        | 1977-1978          |
|-------------------------|------------------|--------------------|
| Average Daily Balance   | \$ 333.MM        | \$ 280.MM          |
| Annual yield            | 9.27%            | 6.534%             |
| Yield at end of year    | 10.15%           | 7.619%             |
| Interest Received       | \$ 29,577,314.24 | \$ 17,158,587.83   |
| AIRPORT BOND FUND       |                  |                    |
| Average Daily Balance   | \$ 108.MM        | \$ 82.MM           |
| Annual yield            | 9.00%            | 6.283%             |
| Yield at end of year    | 9.22%            | 7.83%              |
| Interest Received       | \$ 6,945,769.13  | \$ 4,909,683.58    |
| SEWER REVENUE BOND FUND |                  | (3/6/78 - 6/30/78) |
| Average Daily Balance   | \$ 46.5 MM       | \$ 16.5MM          |
| Annual yield            | 7.81%            | 7.396%             |
| Yield at end of year    | 9.28%            | 7.437%             |
| Interest Received       | \$ 3,746,388.15  | \$ 942,976.77      |
| TOTAL                   |                  |                    |
| Average Daily Balance   | \$ 509.4MM       | \$ 397.MM          |
| Annual yield            | 9.08%            | 6.542%             |
| Yield at end of year    | 9.93%            | 7.588%             |
| Interest Received       | \$ 42,019,496.85 | \$ 23,297,207.36   |



## TREASURER'S ANNUAL REPORT

FISCAL YEAR 1978-79

| <u>Sub-Object</u> | <u>Title</u>                    | (Revised)<br><u>Budget</u> | <u>Expenditures</u> |
|-------------------|---------------------------------|----------------------------|---------------------|
| 0010              | Permanent Salaries              | \$364,971 <sup>a</sup>     | \$357,957           |
| 0100              | Overtime                        | 1,250                      | 928                 |
| 0600              | Retirement, City                | 69,964                     | 67,235              |
| 0601              | Retirement, Other               | -                          | 2,070               |
| 0606              | Social Security                 | 18,658                     | 18,444              |
| 0610              | Health Service - City Match     | 9,765                      | 8,247               |
| 0620              | Unemployment Insurance          | 1,338                      | 1,338               |
| 0621              | Unemployment Insurance - Admin. | 42                         | 35                  |
|                   | Total Salaries and Fringe       | <u>465,988</u>             | <u>456,254</u>      |
| 1001              | Prof. Services - Moneymax       | 27,800                     | 25,059              |
| 1001              | Prof. Services - Fiscal Agent   | 11,943                     | 11,284              |
| 1001              | Prof. Services - Banking        | 76,193                     | -0-                 |
|                   | Total 1001                      | <u>115,936</u>             | <u>36,343</u>       |
| 1110              | Auto Mileage                    | 1,300                      | 1,091               |
| 1206              | Travel                          | 750                        | 756                 |
| 1218              | Maintenance Office Equipment    | 1,700                      | 2,386               |
| 1232              | Telephone                       | 4,200                      | 3,464               |
| 1233              | Postage                         | 1,000                      | 800                 |
| 1299              | Other Current - Local Fare      | 360                        | 353                 |
| 1299              | Other Current - Subscriptions   | 140                        | 171                 |
|                   | Total Contractual               | <u>8,150</u>               | <u>7,930</u>        |
| 1301              | Office Supplies                 | 3,400                      | 3,510               |
| 1304              | Technical Supplies              | 650                        | 479                 |
|                   | Total Supplies                  | <u>4,050</u>               | <u>3,989</u>        |
| 1950              | Replenish Revolving Fund        | 1,500                      | 1,500               |
| 2260              | Office Equipment                | 9,685                      | 6,912               |
| 2261              | Furniture                       | 350                        | 361                 |
| 2299              | Other                           | 2,152                      | 869                 |
|                   | Total Equipment                 | <u>12,187</u>              | <u>8,142</u>        |
| 3400              | Controller EDP                  | 34,332                     | 13,159              |
| 3500              | Reproduction                    | 3,000                      | 2,865               |
|                   | Total 1978-79                   | <u>\$646,443</u>           | <u>\$531,273</u>    |



JUL 18 1980

TAX COLLECTOR  
1978-79 ANNUAL REPORTSAN FRANCISCO  
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The Tax Collector has the responsibility of administering the receipt and deposit of all monies for taxes, licenses and other fees due the City and County and to provide delinquent collection services to City Departments. His work must be coordinated with other City and County officials and agencies, State authorities, the Board of Supervisors and other tax administrators and policy bodies.

The office of the Tax Collector consists of seven operating divisions, Real Estate, License, Business Taxes, Investigations, Parking Meter, Cashering, and Delinquent Revenue, and consists of seven basic goals.

1. To provide centralized administrative services for the department and support services to the divisional programs and activities.
2. To provide centralized collections of secured and unsecured property taxes for local government taxing agencies within the City and County of San Francisco.
3. To maintain a post audit program to determine the accuracy of the taxpayers reports and levy additional taxes, if the audit so indicates.
4. Administration and collection of Business Tax, Payroll Expense Tax, Parking Tax, Utility Users Tax and Stadium Admission Tax.
5. To collect fees for City licenses and permits which are required by Municipal Code, Part III; collection of the Transient Occupancy tax and dog license fees; determine eligibility for residential parking permits.
6. To administer and account for collections of parking meter revenues.
7. To provide for centralized collection of delinquent accounts in excess of 90 days for all City and County Departments exclusive of PUC Departments, and to provide for the resolution of all delinquent taxpayer accounts.

More detailed descriptions of the functions of each division is found in the body of this report. The individual program goal statements are directed toward affecting the timeliness and quality of service delivery which contribute to the scheduled needs of the City's Financial requirements.





## ADMINISTRATION

The limited available resources caused by Proposition Thirteen has adversely affected the administration of the office. We have been operating with an approximate shortage of twenty staff members. More importantly, a number of supervisory positions have been unfilled throughout 1978-79. Several key positions have been staffed by other staff members on temporary assignment. Under this situation maintaining sufficient security controls has been difficult. To counter balance this situation two division chief positions were reclassified to senior management assistants. Unfortunately as of June 30th, 1979 these positions are still vacant. As a consequence of these staff shortages we have been forced to utilize to the maximum a flexible personnel policy by assigning staff where priorities dictated even if this meant increased hardships in other divisions. The entire staff has been most cooperative in these efforts although some of the increased individual workload has been extremely taxing on our office morale.

As a result of the Charter Amendment in November, 1978 the Treasurer's Office and the Tax Collector's Office were consolidated into the office of the Treasurer/Tax Collector effective July 1st, 1979. Within the last six months of the fiscal year the details of consolidating and organizing the two offices into one was accomplished. During this period, program performance budgeting and management by objectives was also established in conjunction with FIRM staff and is on the schedule for implementation as of July 1st, 1979. The data collection and security measures recommended by Arthur Anderson Company continued to be implemented with additional information directly relating to efficiency and effectiveness measures being the primary focus of the FIRM effort. These measures will be discussed in more detail in each division's summary.

Implementation of the preferential parking program caused us many problems due to inadequate funding and necessary staff to develop a viable plan and system. It is imperative that this program be adequately funded in the future. This office will be presenting an action plan for correcting this situation early next fiscal year.

As mentioned in several past annual reports, we are still in desperate need of an additional attorney to aid in processing the many legal matters that are involved in collecting delinquent revenues due us and other City Departments. We have adequate substantiation that additional revenue generated by the addition of the attorney and supportive clerical staff will be more than enough to underwrite their cost.

For the next fiscal year we plan, along with the Treasurer's Office to develop new systems and procedures to expeditiously



process receipts and deposit funds and maintain good security controls with the limited resources budgeted to us. As part of our FIRM effort the areas of emphasis next year will be the development of performance measures which indicate changes in effectiveness. As a result there will be greater measurement of the results of a program effort rather than measures of the process. We also hope to affect staff development of unit managers for the analysis of the data collected. In addition, we hope to accomplish ongoing training of departmental staff in the purpose and mechanics of FIRM.

### Cashier's Division

The Cashier's Division is responsible for processing the payment of taxes, licenses and revenues received in the Tax Collector's Office and for depositing the money with the Treasurer.

The procedure requires using a numeric system of payment identification, verification of the money, daily balancing of collections, microfilming of checks and daily depositing of receipts.

This division issues refund checks for overpayments of taxes which are recognized at the time of payment.

In June 1979, collection of returned check charges was instituted. If a check in payment of taxes is returned dishonored, a fee of \$10 is charged. This Division receives this fee and issues a receipt therefore.

During the year the Division was severely handicapped by the shortage of three cashiers from the ten permanent positions. Thus had difficulty in reaching the objective of depositing all receipts on the same business day. During the peak periods of the Real Estate Collection, temporary employees assisted the permanent staff in depositing nearly all receipts on the same business day. It must be noted that the stress and pressures due to the understaffing remained throughout the year.

We are hopeful that with adequate staffing we shall be able to deposit all receipts expeditiously in the coming year.

### Uniform Sales and Purchase Tax

San Francisco's Uniform Sales and Purchase Tax has been collected since July 1958, by the State of California as agent for the City and County, and the revenues minus collection costs are



returned to the City and County. The amount credited to San Francisco for fiscal year 1978-79 was \$42,788,505.

Beginning in September, 1972, half of one percent was collected in taxes from the Uniform Sales and Purchase Tax and remitted to the San Francisco Bay Area Rapid Transit District. For fiscal year 1978-79 this amount was \$10,678,963.

Comparison of Collections by the Cashier's Division:

| TYPE OF COLLECTION                    | 1978-79              |                | 1977-78              |                |
|---------------------------------------|----------------------|----------------|----------------------|----------------|
|                                       | Amount               | Number of Tags | Amount               | Number of Tags |
| Real Estate Tax                       | \$168,426,652        | 259,014        | \$357,714,846        | 261,269        |
| Unsecured Personal Property Tax       | 45,274,706           | 33,683         | 43,057,734           | 34,613         |
| Business Tax                          | 4,026,955            | 2,756          | 3,466,762            | 5,816          |
| Payroll Tax                           | 38,639,686           | 11,703         | 34,436,147           | 11,869         |
| Parking Tax                           | 6,500,418            | 1,244          | 4,963,682            | 1,270          |
| Utility Tax                           | 16,737,390           | 441            | 15,948,829           | 477            |
| Candlestick Park Improvement Fund     | 87,849               | 18             | 328,322              | 17             |
| Hotel Tax                             | 18,490,545           | 1,295          | 12,059,110           | 1,321          |
| Licenses                              | 2,798,357            | 76,209         | 2,179,797            | 73,118         |
| Parking Meter                         | 3,097,849            | 256            | 2,666,281            | 249            |
| Retail Sales and Local Transportation | 53,467,468           | 25             | 47,509,822           | 24             |
| Tax Redemption                        | 4,869,936            | 2,934          | 4,709,121            | 2,463          |
| Delinquent Revenue                    | 639,987              | 3,848          | 503,642              | 4,022          |
| Other                                 | 860,335              | 137            | 644,208              | 141            |
|                                       | <u>\$363,918,133</u> | <u>393,563</u> | <u>\$530,188,303</u> | <u>396,669</u> |



## Real Estate Division

The function of the Real Estate Division is to distribute tax bills to property owners, lending institutions, tax servicing agencies, real estate brokers, etc.; to collect current and delinquent taxes for the City and County, the School Districts, and other special districts, e.g., BART, Bay Area Pollution Control District; to collect current and delinquent special assessments (refuse collection charges, water charges, sidewalk repair charges, etc.); to record properties sold and deeded to the State for non-payment of delinquent taxes; to assist in the collection of personal property taxes; and to sell at public auction real property on which taxes remain unpaid after deeding to the State.

We respond to phone and in-person inquiries concerning payment of taxes, due dates, at what value property has been assessed, ownership, requests for receipts and duplicate bills. We also receive a host of questions which may or may not be tax related and refer as appropriate. Last year, we handled 258,589 such requests. Our tools are three Microfiche viewers containing the tax rolls which are for public use and two EDP-connected bill printing machines.

During peak periods, delays occur in contacting us to obtain these kinds of information. A proposal has been set forth to identify deficiencies in our phone service.

As in previous years, we utilized a night crew for a short period of time in the pre-audit phase of the collection process. This enabled us to collect and post almost all of the remittances received within 3-4 working days after the tax deadlines. In addition, we use a tape method of collection from two tax servicing agencies: Realty Tax Service and Transamerica Tax Service. These tapes are sent direct to EDP eliminating manual reconciling in the pre-audit phase and permits adjustments of duplicate, over or underpayment at a later date. This system (CORTAC) enables the Cashier to deposit the four checks (two per installment) totaling \$11,542,000 with the Treasurer immediately upon receipt.

The effects of Proposition 13:

The following indicators show that this legislation did not result in more timely payment of taxes nor did it reduce the rate of delinquency:

|                                    | <u>1978-79</u> | <u>1977-78</u> |
|------------------------------------|----------------|----------------|
| Tax rate:                          | \$5.06         | \$11.70        |
| <u>Corrections to Secured Roll</u> | 6,777          | 2,075          |





Secured Property

|                            |               |               |
|----------------------------|---------------|---------------|
| Tax Collections            | \$166,830,000 | \$355,958,000 |
| Tax Bills Issued           | 154,505       | 153,963       |
| Public Auctions            | 0             | 1             |
| <u>Penalties Collected</u> | \$ 290,761    | \$ 383,816    |

Real Property

|                   |              |              |
|-------------------|--------------|--------------|
| Amount Delinquent | \$ 2,384,878 | \$ 4,556,808 |
| % Delinquent      | 1.41         | 1.26         |

Unsecured Property

|                   |              |              |
|-------------------|--------------|--------------|
| Amount Delinquent | \$ 2,380,548 | \$ 1,811,056 |
| % Delinquent      | 5.43         | 4.16         |

The most significant impact on the workload of this division resulted from the corrections to the roll increasing or decreasing assessments, and in some instances granting or deleting certain exemptions notably homeowners. We were required to send out corrected bills, and while we were not able to obtain a count of the bills sent, this accounted in part for our returning approximately 2,585 remittances in 1978-79 for various kinds of discrepancies vs. approximately 1,375 in 1977-78. During the current year we processed 2,930 refunds vs. 1,876 in 1977-78. While this figure includes refunds issued for duplicate payments (usually caused by high real estate market activity), it does not include those duplicate payments we were able to catch in the pre-audit phase. We have pending 65 applications for refund of possessory interest tax on which we are awaiting an opinion from the City Attorney's office as to retroactivity.

The number of Senior Citizens who elected to postpone their taxes under SB 117, the property tax postponement act, declined from 298 in 1977-78 to 131 in 1978-79.

FIRM Program Goals for 1979-80

1. To provide centralized collections of secured and unsecured taxes for local government taxing agencies within the City and County of San Francisco.



### Activity

- a) to complete mailing of all current year tax bills by October 15.
- b) to maintain the secured property receivable taxes at 1.2% of the total roll by June 30th.
- c) to process within 5 working days all payments received on or before December 10 and April 10.
- d) to increase the unsecured tax collections rate to 96% by June 30, 1980.
- e) to provide a listing of delinquent accounts to the Investigators and Collections Unit by October 25 for the accounts delinquent as of September 30th.

The significant performance factors for 1978-79 were as follows:

|                                                       |               |
|-------------------------------------------------------|---------------|
| number of secured tax bills mailed                    | 154,505       |
| dollar amount of secured property tax roll assessment | \$169,215,556 |
| dollar amount of secured property tax collected.      | \$166,830,678 |
| percentage of secured tax roll collected              | 98.59%        |
| days required to process secured tax payments         | 3 - 4 days.   |

### Tax Redemption Bureau

This Bureau serves real estate taxpayers whose taxes have become delinquent after June 30th of every fiscal years, by reminding them of their tax delinquencies through correspondence and by phone.

Informs representatives of Title Companies, Banks, Mortgage Companies, Tax Service, etc. about redemption amounts and current tax liability outstanding on certain real estate properties upon requests.

Lists properties sold to State and deeded to State for publication in compliance with the Property Tax Laws of California.



Total amount of delinquent taxes for the fiscal year 1978-79 \$2,540,824 - compared to \$4,556,808 for 1977-78. Decrease due to Proposition 13.

Full Redemptions in 1978-79 amounts to \$4,567,392 against \$5,512,810 for 1977-78. A decrease of \$945,417 or 17%.

June 29th, 1979, sold to state parcels were 3,193, an increase of 71 parcels from last year. Total deeded to the State July 6th, 1979: 8 parcels. A decrease of 40 parcels from July 1978.

Additional revenues in the form of redemption penalties amount to \$441,395 against \$895,721. Decrease of \$454,326 or 51%.

Full Redemption by Month 1978-79

|          | <u>Taxes</u>       | <u>Delinquent<br/>Penalty</u> | <u>Cost</u>    | <u>Redemption<br/>Fee</u> | <u>Redemption<br/>Penalty</u> | <u>Total</u>       |
|----------|--------------------|-------------------------------|----------------|---------------------------|-------------------------------|--------------------|
| July '78 | \$ 482,793         | \$ 28,910                     | \$1,059        | \$ 592                    | \$ 19,460                     | \$ 532,814         |
| Aug.     | 468,093            | 28,082                        | 1,652          | 956                       | 23,700                        | 522,483            |
| Sept.    | 388,063            | 23,256                        | 1,281          | 674                       | 26,369                        | 439,643            |
| Oct.     | 398,038            | 23,830                        | 1,014          | 556                       | 35,812                        | 459,250            |
| Nov.     | 462,212            | 27,730                        | 1,022          | 556                       | 41,900                        | 533,420            |
| Dec.     | 280,130            | 16,805                        | 852            | 450                       | 33,171                        | 331,408            |
| Jan '79  | 318,500            | 19,109                        | 399            | 225                       | 35,200                        | 373,433            |
| Feb.     | 135,634            | 8,137                         | 258            | 148                       | 14,787                        | 158,964            |
| Mar.     | 314,513            | 18,869                        | 523            | 226                       | 73,823                        | 407,954            |
| Apr.     | 184,259            | 11,038                        | 519            | 218                       | 37,503                        | 233,536            |
| May      | 242,598            | 14,555                        | 470            | 204                       | 49,641                        | 307,467            |
| June     | 203,781            | 12,225                        | 741            | 244                       | 50,030                        | 267,020            |
| Totals   | <u>\$3,878,614</u> | <u>\$232,546</u>              | <u>\$9,789</u> | <u>\$5,048</u>            | <u>\$441,395</u>              | <u>\$4,567,392</u> |



## Full Redemption By Year

| <u>Fiscal<br/>Years</u> | <u>Taxes</u>       | <u>Delinquent<br/>Penalty</u> | <u>Cost</u>    | <u>Redemption<br/>Fee \$</u> | <u>Redemption<br/>Penalty</u> | <u>Total</u>       |
|-------------------------|--------------------|-------------------------------|----------------|------------------------------|-------------------------------|--------------------|
| 59-60                   | \$ 3               | \$ -                          | \$ 1           | \$ 2                         | \$ 38                         | 44                 |
| 60-61                   | 3                  | -                             | 1              | -                            | -                             | 4                  |
| 61-62                   | 3                  | -                             | 1              | -                            | -                             | 4                  |
| 62-63                   | 3                  | -                             | 3              | -                            | -                             | 6                  |
| 63-64                   | 3                  | -                             | 3              | -                            | -                             | 6                  |
| 64-65                   | 3                  | -                             | 3              | -                            | -                             | 6                  |
| 65-66                   | 4                  | -                             | 3              | -                            | -                             | 7                  |
| 66-67                   | 4                  | -                             | 3              | -                            | -                             | 7                  |
| 67-68                   | 2                  | -                             | 3              | -                            | -                             | 5                  |
| 68-69                   | 747                | 45                            | 9              | 4                            | 3,949                         | 4,754              |
| 69-70                   | 14,620             | 877                           | 54             | 30                           | 38,485                        | 54,066             |
| 70-71                   | 23,548             | 1,413                         | 87             | 28                           | 12,472                        | 37,548             |
| 71-72                   | 26,916             | 1,615                         | 105            | 14                           | 7,733                         | 36,383             |
| 72-73                   | 43,138             | 2,588                         | 171            | 42                           | 26,596                        | 72,535             |
| 73-74                   | 66,114             | 3,968                         | 261            | 82                           | 36,988                        | 107,413            |
| 74-75                   | 153,472            | 9,207                         | 396            | 140                          | 91,590                        | 254,805            |
| 75-76                   | 202,224            | 12,128                        | 584            | 194                          | 39,983                        | 255,113            |
| 76-77                   | 499,202            | 29,917                        | 1,179          | 496                          | 37,185                        | 617,979            |
| 77-78                   | \$2,848,605        | \$170,788                     | \$6,922        | \$4,016                      | \$ 96,376                     | \$3,126,707        |
| Totals:                 | <u>\$3,878,614</u> | <u>\$232,546</u>              | <u>\$9,789</u> | <u>\$5,048</u>               | <u>\$441,395</u>              | <u>\$4,567,392</u> |

## License Division

For the fiscal year 1978-79, the License Division showed an increase in gross receipts of \$7,049,930. This can mostly be attributed to an increase in the collection of the Hotel Transient Tax. The reason for the big increase in the Hotel Transient Tax was that the rate went from 6% to 8% on June 30th, 1978. There also was an increase in the General Business Licenses because Apartment House and Hotel License rates etc.

Most business Licenses in San Francisco are regulatory in nature and the fees are collected to help defray the cost of inspection by the Departments of Public Works, Police, Fire and Public Health.





|                     | <u>1977-78</u> |                      |  | <u>1978-79</u> |                      |
|---------------------|----------------|----------------------|--|----------------|----------------------|
|                     | <u>Number</u>  | <u>Amounts</u>       |  | <u>Number</u>  | <u>Amounts</u>       |
| General Business    | 24,140         | \$ 783,968           |  | 23,953         | \$ 1,495,739         |
| Vehicles            | 311            | 61,053               |  | 1,693          | 57,146               |
| Inspection fees     | 1,857          | 140,461              |  | 1,765          | 175,099              |
| Miscellaneous       | 4,673          | 25,476               |  | 5,102          | 28,275               |
| Dogs                | 28,910         | 196,572              |  | 23,501         | 148,261              |
| Curb Painting       | 6              | 60                   |  | 2              | 20                   |
| Food Prep. & Serv.  | 4,039          | 465,859              |  | 3,891          | 631,152              |
| Taxicab Transfers   | 411            | 411,000              |  | 173            | 170,500              |
| Limousine Transfers | 7              | 5,250                |  | -              | -                    |
| Surcharge D.P.W.    | 532            | 1,235                |  | 18             | 34                   |
| Parking Permits     | 9,173          | 88,861               |  | 15,657         | 92,085               |
| Sub-Total:          | 74,059         | \$ 2,179,815         |  | 75,755         | \$ 2,798,311         |
| Hotel Tax           | 1,472          | 12,059,110           |  | 1,363          | 18,490,544           |
| Grand Total:        | <u>75,531</u>  | <u>\$ 14,238,925</u> |  | <u>77,118</u>  | <u>\$ 21,288,855</u> |

The goal of the License Division is to collect fees for City License which are required by Municipal Code Part III, collections of Transient Occupancy Tax and Dog License fees and to Administer, collect and determine eligibility for Residential Parking Permits.

Towards fulfilling this goal three objectives were agreed upon:

1. Maintain staff utilization of 95%.
2. Provide Investigation Unit with a listing of all Delinquent Apartment House renewals by February 15th.
3. To deposit all Transient Occupancy Tax within one day.

#### 1st OBJECTIVE

Last Fiscal Year (78-79) we achieved 97% staff utilization. This Fiscal Year (79-80) we expect staff utilization to measure 95%.

#### 2nd OBJECTIVE

Last Fiscal Year (78-79) we forwarded Delinquent Apartment House renewal list to the Investigation Unit by April 5th. This Fiscal Year (79-80) we expect to forward Delinquent Apartment House renewal list to the Investigation Unit by February 15th.



### 3rd OBJECTIVE

We will continue to deposit all Transient Occupancy Tax payments within one day.

#### Hotel Room Tax Units

The Hotel Transient Tax, even though a separate budget item, is still collected by the License Division. The Hotel Tax Auditor is now attached to the Business Tax Division. There has been no appreciable increase in the number of hotels in San Francisco so the increase in fees collected this fiscal year must be mostly due to increased rates charged by hotels; also, the rate of tax was increased from 6% to 8% on June 30th, 1978.

| <u>Quarters</u> |                  | <u>1977-78</u> | <u>1978-79</u> |
|-----------------|------------------|----------------|----------------|
| July            | 1 - September 30 | \$ 2,915,870   | \$ 3,388,433   |
| October         | 1 - December 31  | 3,471,809      | 5,525,786      |
| January         | 1 - March 31     | 2,910,775      | 4,659,875      |
| April           | 1 - June 30      | 2,760,656      | 4,916,450      |
|                 |                  | <hr/>          | <hr/>          |
|                 |                  | \$12,059,110   | \$ 18,490,544  |
|                 |                  | <hr/>          | <hr/>          |

#### Business Taxes Division

The Business Taxes Division has three operating units: The Taxpayer Service Unit, Transaction Control Unit and the Audit Unit. Under the direction of the Chief Auditor, this division is responsible for the administration of the Business Tax, Payroll Expense Tax, Parking Tax, Utility Users Tax, Stadium Admission Tax and the audit function of the Hotel Tax.

In spite of budget reduction and the resulting cutback of personnel, this division continues to operate efficiently and shows improvement in most areas. However, the audit activities are curtailed because of staff reduction. Any further cutback of personnel will definitely have an adverse effect on the operating efficiency and the revenue producing capacity of the division.

In the fiscal year ended June 30th, 1979, this division serviced over 54,000 Business Tax accounts and processed more than \$66,000,000 in tax payments. The audit staff performed 1,419 tax audits and 1,379 inspection audits. It also recovered more than \$1,300,000 of tax revenue.

In the fiscal year beginning July 1, 1979, the Business Taxes Division became involved in the Mayor's Program/Performance Budgeting and Management Project. The activities in the division are classified into two categories: (1) Administration and collection of Business



Taxes and (2) audit function of the taxes. Objectives are set for each of these categories.

The first objective of the Tax Administration and collection activity is to process 90% of the tax statements received by March 1st, 1980, within 15 working days. Efficiency is in terms of cost per tax dollar collected. The other objectives are to send out determination statements to delinquent taxpayers before July 1st, 1980 and to reduce by 5% the number of outstanding delinquent accounts transferred to the Investigation Division. The workload of these objectives is the number of determination statements mailed.

The objectives of the audit function are (1) to institute an audit program in which audits are selected in a systematic and impartial manner by June 30, 1980, and (2) to achieve a recovery rate of \$35 per audit hour based on billings. Workload is the number of audits performed. Efficiency is the ratio of the number of audits to total audit hours. Effectiveness is (1) total dollars recovered, (2) dollars recovered per audit and (3) dollars recovered per audit hour.

Comments should be made that the capability of the audit staff is dependent on the sufficiency of clerical support. The audit staff is regularly required to participate in the administration and collection process, especially in peak periods. Difficult cases and special tasks require the knowledge and expertise of the professional auditors. Therefore, in the past years the audit staff devoted approximately 50% of its effort performing duties other than auditing. Furthermore, any reduction of clerical personnel will in turn reduce the audit activities, because the auditor must supplement the insufficiency of the clerical staff. It should be pointed out that the effectiveness of the audit program cannot be measured only in terms of dollars recovered. Equally important is the fact that the audit staff educates and assists taxpayers and promotes their compliance.

The following is a tabulation showing the comparative work programs and performance data for the years 1977-78 and 1978-79:

1. Tax Collections:

|                             | <u>1977-78</u>      | <u>1978-79</u>      |
|-----------------------------|---------------------|---------------------|
| a. Business/Payroll Tax     | \$37,902,909        | \$42,666,639        |
| b. Parking Tax              | 5,044,152           | 6,576,454           |
| c. Utility Tax              | 16,590,499          | 17,451,320          |
| d. Stadium Tax              | <u>328,322</u>      | <u>87,849</u>       |
| Total                       | <u>\$59,865,882</u> | <u>\$66,782,262</u> |
| 2. Accounts serviced        | 53,924              | 54,373              |
| 3. Tax Statements processed | 29,682              | 28,253              |



|    |                                |             |              |
|----|--------------------------------|-------------|--------------|
| 4. | Inspections by Auditors        | 55          | 1,379        |
| 5. | Audit Function:                |             |              |
|    | (1) Number of audits           | 1,701       | 1,419        |
|    | (2) Tax Deficiencies Billed    | \$1,237,840 | \$ 1,350,341 |
|    | (3) Tax Deficiencies Collected | \$1,212,919 | \$ 892,348   |

#### Investigation Division

The Investigation Division exists primarily to conduct field investigations necessary to enforce compliance to the requirements of the various tax codes and ordinances regulating the Tax Collector's Office. It is responsible for interpreting and enforcing existing policies and methods of the office.

Investigators conduct field investigations for the other divisions of the Tax Office. Each field person is assigned to a designated district and under general supervision performs all activities required by the programs of the Tax Collector. The investigators also assist the Legal Division in preparing court cases by compiling reports of investigations and by serving various kinds of legal documents.

|                                              | <u>1977-78</u> | <u>1978-79</u> |
|----------------------------------------------|----------------|----------------|
| Cases filed and instituted                   |                |                |
| Small Claims Court                           | 960            | 967            |
| Municipal/Superior Courts                    | 95             | 60             |
| Number of accounts open at beginning of year | 18,817         | 15,184         |
| Number of accounts received during year      | <u>16,408</u>  | <u>17,863</u>  |
| Sub - Total                                  | 35,225         | 33,047         |
| Number of accounts closed during year        | <u>11,474</u>  | <u>14,807</u>  |
| Number of accounts on hand at end of year    | <u>15,184</u>  | <u>18,240</u>  |
| Certificates on file                         | 3,165          | 1,765          |
| Cases submitted for suit                     | 3,751          | 4,329          |
| Cases recommended for abandonment            | 1,651          | 175            |
| Calls made during fiscal year                | 19,930         | 13,865         |
| Collections made during fiscal year          | \$1,909,114    | \$3,245,883    |





The Investigation Division is continually endeavoring to reduce the number of delinquent accounts and to collect as much revenue as possible.

In the area where delinquent accounts which were transferred to the division for collection in the amount of \$200 and under, the taxpayers were notified by mail on all the bills, and this procedure will be repeated in the next year. Delinquent bills which were \$500 and over, the investigators succeeded in making personal contact with the taxpayer in 95% of the cases but next year the division will endeavor to make contact with the taxpayer 100% within one year of receipt of the delinquent bills.

Field investigators received by supervisory personnel through taxpayers contact were less than 1% but expected to perform 2% for the ensuing year. Another performance objective of the Investigation Division is to increase the number of calls:

| <u>Number of Calls</u> |                  | <u>Projection</u> |
|------------------------|------------------|-------------------|
| <u>1977-1978</u>       | <u>1978-1979</u> | <u>1979-1980</u>  |
| 19,930                 | 13,865           | 20,640            |

#### Parking Meter Division

The goal of the Parking Meter Division is to "administer and account for collections of the Parking Meter Revenues within the City and County of San Francisco". This means that the division is responsible for seeing that the revenue is collected, sorted, counted and deposited. The city has approximately 15,650 meters in operation at this time. A breakdown is listed below:

|                        |               |
|------------------------|---------------|
| 2 hour limit at 10¢    | 1,165         |
| 1 hour limit at 10¢    | 8,584         |
| 1 hour limit at 25¢    | 3,900         |
| 30 minute limit at 10¢ | 34            |
| 30 minute limit at 25¢ | 1,387         |
| 15 minute limit at 5¢  | 516           |
| 15 minute limit at 10¢ | 64            |
| Total                  | <u>15,650</u> |

Distribution of these meters in on-street and off-street lots is as follows:

|                                                       |            |
|-------------------------------------------------------|------------|
| Street Meters:                                        | 14,840     |
| Meters in twenty off-street lots throughout the City: | <u>810</u> |
|                                                       | 15,650     |

During the fiscal year, approximately 4,100 meters were



purchased from the two major manufacturers, Duncan and POM. These meters are manual vaulted meters. Since approximately 5,100 additional meters are to be ordered, this division is closely monitoring the performance of a group of each type of meter in a special test area.

The collection duties were still contracted to Brink's Inc. Brink's delivers the monies to the Bank of America who counted and deposited them. One employee in the Tax Collector's Office monitored this system.

In order to save money on the collection contract, the three day collection cycle was scrapped in favor of a four day collection cycle. The result was an estimated savings of \$41,750. In addition to this change, the collections made by the Department of Electricity while repairing meters was reported separately.

The revenue received from Parking Meter Collections for the Fiscal Year 1978-79 derived from 253 collection days was \$3,097,849.07. Coin collection breakdown by denominations and zones is listed below:

|        | <u>Quantities</u> | <u>Amount</u> |
|--------|-------------------|---------------|
| Total  | 53,314,725        | \$3,097,849   |
| 1¢     | 24,333,028        | 243,330       |
| 5¢     | 13,098,228        | 654,911       |
| 10¢    | 11,865,774        | 1,186,577     |
| 25¢    | 4,017,695         | 1,004,423     |
| Zone 1 | 13,624,342        | \$ 817,197    |
| 1¢     | 5,690,412         | 56,904        |
| 5¢     | 3,492,295         | 174,614       |
| 10¢    | 3,498,202         | 349,820       |
| 25¢    | 943,433           | 235,858       |
| Zone 2 | 7,926,493         | \$ 833,924    |
| 1¢     | 1,495,077         | 14,950        |
| 5¢     | 2,141,896         | 107,094       |
| 10¢    | 2,403,342         | 240,334       |
| 25¢    | 1,886,178         | 471,544       |
| Zone 3 | 11,458,228        | \$ 714,400    |
| 1¢     | 4,906,580         | 49,065        |
| 5¢     | 2,945,968         | 147,298       |
| 10¢    | 2,555,890         | 255,589       |
| 25¢    | 1,049,790         | 262,447       |



|                 | <u>Quantities</u> | <u>Amount</u> |
|-----------------|-------------------|---------------|
| Zone 4          | 17,316,141        | \$ 579,535    |
| 1¢              | 10,721,452        | 107,214       |
| 5¢              | 3,842,561         | 192,128       |
| 10¢             | 2,718,928         | 271,892       |
| 25¢             | 33,200            | 8,300         |
| Dept. of Elec.  | 295,066           | 11,827        |
| 1¢              | 171,480           | 1,714         |
| 5¢              | 63,691            | 3,184         |
| 10¢             | 53,639            | 5,363         |
| 25¢             | 6,256             | 1,564         |
| Off-Street Lots | 2,694,455         | \$ 132,357    |
| 1¢              | 1,348,027         | 13,480        |
| 5¢              | 611,817           | 30,590        |
| 10¢             | 635,773           | 63,577        |
| 25¢             | 98,838            | 24,709        |

In addition to this, various foreign coins were salvaged and sold for \$2,514.53. Parking Meter Restitution payments by those convicted in the Parking Meter Scandal totalled \$6,091.71. The salvage and restitution revenue is included in the Total revenue listed above.

During the coming fiscal year, there are two objectives for the Parking Meter Division. The first is to increase revenue by 5%. In fulfilling that objective, it will be necessary to increase revenue to \$3,252,740 an increase of \$154,891.

The second objective is to provide random surveillance for all collection zones on a monthly basis. Toward that end, a program of surveillance has been set up using personnel from the Investigation Unit. The target set is to have 2 hours of surveillance on each zone each month. This means that 1 staff day each month will be used for surveillance of the parking meters.

#### Bureau of Delinquent Revenue

The Bureau, established in 1935, is the official collection agency of all delinquent revenue and accounts receivable for all departments and offices of the City and County. It is also responsible for the collection and maintenance of the unsecured personal property tax roll both current and delinquent.



Other than personal property taxes, a total of 4138 delinquent accounts were transferred to the Bureau of Delinquent Revenue by various City and County departments during the fiscal year 1978-79.

With changes in priorities, the revenue from the delinquent accounts have increased 27% for the fiscal year 1978-79 as compared to the prior period. As collection experience increases with the current staff, new procedures and priorities will be initiated.

The planned objective for fiscal year 1979-80 is a 10% increase in the collection of delinquent revenue as compared to the prior fiscal period. To attain this objective, the Bureau has set priorities in:

- 1) immediate action and follow up on all accounts that highly collectible with an emphasis on larger accounts.
- 2) an immediate abandonment of all accounts with a low probability of collection.

Beginning fiscal year 1979-80, the responsibility for the collection of unsecured personal property taxes will be transferred to the Real Estate Division. This action will result in a more efficient method of processing payments and the accounting of unpaid accounts. In effect, it will assist the Real Estate Division to attain it's objective of lowering the percentage of delinquent unsecured taxes.

|                                                               | <u>1977-78</u>       | <u>1978-79</u>       |
|---------------------------------------------------------------|----------------------|----------------------|
| No. of Personal Property Tax Bills                            | 37,864               | 38,424               |
| <u>Collections</u>                                            |                      |                      |
| Unsecured Personal Prop. Tax                                  | \$ 41,363,254        | \$ 44,053,504        |
| Prior Yrs UPP Delinq. Taxes                                   | 764,514              | 904,665              |
| UPP Tax Bills-Advance for next year                           | 511,874              | 229,199              |
| No. of payments - Public Health Delinquent Accounts           | 2,056                | 1,802                |
| Collections - Public Health Department                        | \$ 438,372           | \$ 523,077           |
| No. of payments - Public Works Delinquent accounts.           | 223                  | 88                   |
| Collections - Public Works Department                         | \$ 31,608            | \$ 12,851            |
| No. of pymts - All other Delinquent Accounts                  | 1,662                | 1,895                |
| Collected -All other Depts.                                   | \$ <u>33,196</u>     | \$ <u>104,059</u>    |
| Total Amounts Collected UPP Tax and Delinquent City Accounts: | \$ <u>43,141,018</u> | \$ <u>45,827,355</u> |





1977-781978-79Other Data:

|                                            |       |        |
|--------------------------------------------|-------|--------|
| Total No. of Outstanding<br>Accounts       | 9,013 | *4,691 |
| Total No. of full<br>Abandonments          | 3,420 | 3,548  |
| Total No. of Accounts<br>Collected in full | 1,313 | 1,107  |

\*Total number of Public Work accounts were adjusted by 3,855 in August 1978 to reflect the correct number of actual accounts.

Legal Division

Legal Division's principal mission of enforcement of monetary obligations to the Tax Collector remains unchanged from last year's report. However, the Division's administrative responsibilities have increased substantially during this fiscal year: Starting with the beginning of the fiscal period, Legal Division now makes a quarterly report to the Tax Collector, showing changes in its inventory of cases and the amount of revenue collection, separated into categories. In addition, early in the fiscal year, Legal Division wrote a procedural manual formalizing office policies on discretionary operations, such as, abandonment of claims, compromise of claims, installment payments, as well as the basic responsibilities and inter-office relationships of this specialized unit. Finally, the Division has experienced rapid personnel turnover with its clerical staff. An experienced 1458 Legal Stenographer retired effective the beginning of the fiscal year. Her duties were assumed by a 1444 Clerk Stenographer from another Division. A permanent 1458 Legal Stenographer did not start working in the Division until May 30th, 1979. All of these factors have combined to take time away from revenue producing activities. The effect of the increase in administrative duties can be seen in a decrease in revenue collection as compared with the previous fiscal period (1977-1978).

However, the Division is pleased to report that during this period, it has reduced its inventory of pending cases from 92 down to 50 and increased the number of abstracts of judgments from 364 to 379. The latter result in liens on any real property that may be acquired by the judgment debtor.



## Statistical Report

Legal Division for Fiscal Year 1978-79

### Bureau of Delinquent Revenue Collection:

|                                             |                 |
|---------------------------------------------|-----------------|
| Number of complaints filed                  | 11              |
| Number of Abstracts of Judgment<br>recorded | <u>19</u><br>30 |
| Dollar Recovery                             | \$203,547       |

### Business Taxes

|                                             |                  |
|---------------------------------------------|------------------|
| Number of complaints filed                  | 49               |
| Number of Abstracts of Judgment<br>Recorded | <u>44</u><br>93  |
| Total number of cases                       |                  |
| Dollar Recovery                             | <u>\$250,091</u> |
| Total Division Recovery                     | <u>\$453,639</u> |

Objective: To Bring to Trial 85% of the Contested  
Actions Pending by July 1, 1980

Legal Division does not have the data to report this information for 1978-79. However, the Division started the year with an inventory of 92 filed actions pending. This figure necessarily, includes contested actions in both Municipal Court and Superior Court. By the end of the year, this figure has been reduced to 50. The Division is presently in the process of implementing procedures to identify contested cases for tabulation and reporting to management.

Objective: To Commence Litigation or Recommend Abandonment on all Delinquent Business Tax Accounts Resulting from a Tax Payer's Failure to File within One Year of Receipt.

This objective has been satisfied for the year 1978-79. There are no "failure to file" determinations that have not been acted upon by Legal Division by the end of the year.

Objective: To Commence Litigation on all Delinquent Business Tax Audit Deficiencies within 60 days of Receipt from Investigation Division.

This objective has been satisfied during the year 1978-79, and there is no reason that situation should change next (1979-1980) year.



# Comparison of Estimated Revenue with Actual Collection

1978-79

## Taxes other than General Property:

|                                      | Revenue<br>Estimate | Actual<br>Collection |
|--------------------------------------|---------------------|----------------------|
| 5121 Gross Receipts-Business Taxes   | \$ 3,400,000        | \$ 4,026,955         |
| 5141 Admission Tax, Stadium Operator | 275,000             | 87,849               |
| 5171 Hotel Room Tax                  | 17,600,000          | 18,490,545           |
| 5151 Parking Tax                     | 4,500,000           | 6,576,454            |
| 5161-4 Utility Users Tax             | 17,100,000          | 17,451,317           |
| 5191 Employer's Payroll Expense Tax  | 37,600,000          | 38,639,686           |

## Licenses and Permits:

|                                         |         |           |
|-----------------------------------------|---------|-----------|
| 5211 Vehicle License                    | 63,000  | 57,044    |
| 5216 Neighborhood Parking Permits       | 40,000  | 92,035    |
| 5233 Limousine Permit and Transfer Fee  | -       | 7,509     |
| 5221 Foods & Beverages                  | 150,000 | 173,317   |
| 5222 Eating Places                      | 410,000 | 620,111   |
| 5232 Taxicab Permit and Transfer Fee    | 40,000  | 163,000   |
| 5231 Other Business License             | 775,000 | 1,483,067 |
| 5244 Drivers and Agents Badges and Tags | 26,000  | 27,961    |
| 5252 Dog License                        | 280,000 | 177,291   |

## Fines, Forfeits and Penalties

|                                               |        |        |
|-----------------------------------------------|--------|--------|
| 5321 Penalties other than Delinquent<br>Taxes | 25,000 | 25,926 |
|-----------------------------------------------|--------|--------|

## Service Charges, Etc.

|                                            |                      |                      |
|--------------------------------------------|----------------------|----------------------|
| 7216 Curb space painting                   | 1,000                | 20                   |
| 7099 Tax Collector Miscellaneous           | 40,000               | 39,167               |
| 7046 Parking Meter Collections             | 3,000,000            | 3,097,849            |
| 7303 Damage to General Property            | -                    | 23,699               |
| 7402 Sewer Service Charges (Delinquent)    |                      | 1,856                |
| 5181 Retail Sales and Local Transportation | 48,000,000           | 53,467,468           |
|                                            | <u>\$133,325,000</u> | <u>\$144,730,197</u> |

1977-78

1978-79

## Programmatic Expenditure History:

Approved

Approved

## Program or Function:

|                             |                    |                    |
|-----------------------------|--------------------|--------------------|
| Cashier's Division          | \$ 145,946         | \$ 151,167         |
| Real Estate Division        | 429,208            | 459,555            |
| Tax Redemption Division     | 56,579             | 82,257             |
| License/Hotel Tax Division  | 283,916            | 265,369            |
| Business Taxes Division     | 986,563            | 1,020,201          |
| Investigation Division      | 447,917            | 443,018            |
| Parking Meter Division      | 254,053            | 253,446            |
| Delinquent Revenue Division | 265,964            | 271,619            |
| Central Administration      | 161,698            | 164,782            |
| Sub-Total/Gross Budget:     | <u>\$3,031,844</u> | <u>\$3,111,414</u> |
| Mandatory Salary Savings    | 104,369            | 172,024            |
| Actual Budget:              | <u>\$2,927,475</u> | <u>\$2,939,320</u> |









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19-50  
ANNUAL REPORT OF THE TREASURER - TAX COLLECTOR

CITY AND COUNTY OF SAN FRANCISCO

AS OF JUNE 30, 1980

FOR

FISCAL YEAR 1979-80

DOCUMENTS DEPT.

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The Annual Report of June 30, 1980, will include reports and activities of both Treasurer and Tax Collector operating units.

The Treasurer is mandated by Charter to accept for deposit all City and County moneys and checks received by any officer or employee in all City departments, and to invest surplus City funds not currently needed for debt payment. The Charter was amended effective July 1, 1979, placing the office of Tax Collector under the office of Treasurer. The Treasurer, then, is also responsible for the duties of Tax Collection.

Fiscal year 1979-80 was also the initial year of Management by Objective for the Departments. The Department was structured into three divisions - Administration, Treasury and Tax Collection. Each division is further divided into units of activity. The following sections of the Annual Report detail the goals, objectives, description and statistics for each operating unit.



## DIVISION 01 ADMINISTRATION

The goal is to provide centralized administrative services for the department and to provide support services to the programs and activities of the Treasurer - Tax Collector. The departmental organization chart gives responsibility of administrative services to the Tax Collector and in the first year 1979-80 of Management by Objective were primarily related to the Tax Collection Division. The results are detailed in the Tax Collector portion of this Annual Report.

## DIVISION 02 TREASURY

The Treasury Division consists of two programs. One is Treasury Program which includes the Cashier, Bond and Coupon and Inheritance Services units. The second program is Investments.

Treasury Program: The goal is to account for receipts of all funds deposited by City departments, the redemption of Controller's warrants and the disbursement of funds for other legal obligations.

Cashier Section: The major functions of the Cashier Section include the receipt of all City and County moneys and checks either through direct bank deposits, lockbox operations or Treasurer Receiving Window; payment of all Controller warrants through our Clearing House Bank and also through Cashier Windows; reconciliation of above receipts and disbursements with total cash on a daily basis;



through our Clearing House Bank and also through Cashier Windows; reconciliation of above receipts and disbursements with total cash on a daily basis; daily and monthly reconciliation of Treasurer checking accounts; daily input and detailed reconciliation to FAMIS reports. All checks received through the Treasurer's Receiving Window are microfilmed before deposit to the bank. Internal control is achieved by division of duties between receiving cashier, vault cashier, paying cashiers, reconciliation cashiers and clerks, and the accountants.

The primary objective of the Cashier unit was to "process and account for the receipt of collections, departmental deposits and disbursements made through the Cashier by the close of the same business day." The Cashier unit accomplished this objective during the fiscal year despite a major change of Controller Warrants from hard tabulating cards to soft encoded warrants. All payroll warrants and social services warrants are still issued as hard tabulating card warrants. This dual system creates a more complex daily reconciliation of disbursements with payments to our Clearing House Bank.

The target of disbursement made of 2,040,000 was exceeded by the actual performance total of 2,432,368. This understatement



an improved method of tabulating performance has been instituted. For 1979-80, dollar amounts for total receipts was \$1,905,775,445.03, and total disbursements \$1,860,171, 249.35 with a June 30, 1980, cash balance of \$617,712,614.82.

With the order of the NCR Remittance Processing System in June 1980, the Cashier Section personnel will be involved with the encoding of deposit checks for direct remittance to various banks during Fiscal Year 1980-81. This new process will enable earlier investments funds for higher interest earnings for the City.

Bond and Coupon Section: The Bond and Coupon Section receives, verifies and pays all matured bonds and coupons either locally or through Citibank as fiscal agent in New York City. The objective was "to complete the redemption of all bonds and coupons on date of maturity." With the limited staff of one Bond and Coupon Supervisor, and one CETA account clerk, only persistent hard work can enable this unit to fulfill this objective, and meet the target of number of bonds and coupons redeemed of 187,932 with actual performance of 184,987 the difference representing bonds or coupons not presented for payment. Other measures were met: amounts of bonds and coupons redeemed target \$47,904,266;

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value redeemed after maturity date - target \$0 performance by 4th quarter \$0. Objectives for 1980-81 are essentially the same.

Inheritance Services: The functions of this unit are: (1) to determine interest payable and collect all inheritance tax payments on various estates and forward in a lump sum to State Treasurer three times a month, (2) examine and inventory all safe deposit boxes held in the County upon death of a rentor or person having right of access, (3) screen all applicants for consents to transfer assets of deceased persons and refer cases where a tax liability exists to the Inheritance Tax Attorneys at the office of the State Controller. A commission is earned based on amount of collections with declining rate basis and interest is also earned based on holding the collections for an average of eight days.

The objective for 1979-80 was "to reduce the backlog of safe deposit box examinations to a maximum of ten working days." Although this objective was not met in 1979-80, substantial improvement was made reducing backlog from fifteen days to eleven days, and one day off target. The objective to limit the backlog to ten days would have been met by the 4th quarter



except that the retiring supervisor took most of his vacation allowance in the 4th quarter. With a limited remaining staff of four it was not possible. Other performance measures for 1979-80, were generally met: (1) number of safe deposit box examinations - target 3,200, performance 2,777 (2) number of receipts issued target 4,100, performance 4,357 (3) cost per box examination - target \$20.66, performance average \$21.49 (4) cost per receipt - target \$2.50, performance average \$4.43 (5) State Commissions earned - target \$88,200, performance \$100,604. Major exception was cost per receipt wher inexperience with MBO estimation caused an understated target.

For 1979-80, the commission earned was \$100, 603.74, which exceeded the commission earned in the previous year by \$7,122.38, an increase of 7.619%. The interest earned was based on our total collections of \$44,158,590.42 generating a return of \$119,228.16, an increase of \$38,755.12 or a 48% increase from the previous year. Interest earned figure was derived from daily investment average of 12.15% and held for an average of eight days.

A major change in State Inheritance Tax laws reducing the number of future tax payments and eliminating the County



Treasurers' involvement in the Inheritance Tax Services becomes effective January 1, 1981. Therefore, the objective and performance measures for 1980-81 have been made only for the first two quarters.

#### INVESTMENT DIVISION

The goal of the Investment Program is "to administer and control the investment of all monies, in the Treasurer's custody that are not required for payment of current obligations for the purpose of maximizing interest income while preserving the liquidity and safety of the principal", with the objective "to maintain all surplus funds in investments which exceed the Federal Fund Rate."

In 1979-80 the above goal, and objective were met with outstanding success by the Cash Management, and Investment staff of three. For 1979-80 total interest earnings was \$61,204,516.30 at an annual yield of 11.280% vs \$42,019,496.85, and 9.08% for 1978-79. For pooled cash the unapportioned interest earnings for 1979-80, was \$43,735,103.43 at an annual yield of 12.15% vs \$29,577,314.24, and 9.27% for 1978-79. In both categories the increase in dollar amount was 32% with a corresponding increase in average annual yield. Higher interest rates and



astute portfolio management produced results much higher than targeted. In 1980-81 targets have been revised upward to reflect the current interest rate conditions. The average rate of the return 12.15% exceeded the average federal fund rate average of 12.00%. For 1980-81 the objective has been modified to compare our investment rate with return of the rate earned by the State Local Agency Investment Fund. This latter rate is a more comparable one and more valid according to our Investment Officer. In 1979-80 this rate was 10.54%. The Investment Division did well in other performance measures: (a) number of investment transactions 1,220 targeted, 1,330 performance (b) unit cost per investment transactions \$175.00 targeted, \$142.00 average performance (c) total cost of operations - \$99,176 targeted, \$111,672 performance. In addition, 26 swaps (the sale of one security for the purchase of another security) during the fiscal year added \$439,058 in additional interest for reinvestment. This compares with 23 swaps and \$202,548 additional interest during 1978-79. Also, opportunities do arise in the money market to sell a security for a profit before the actual settlement date. This situation occurred 20 times this fiscal year with a trading profit of \$123,272.46, and the expenditure of no principal. In 1975 was the year the Treasurer's office acquired the "moneymax"





system of computerized cash flow and investment program. This program in addition to direct lines furnished by investment houses enabled our Investment Officer to increase our interest earnings, and rate of return of our present record high levels. The institution of direct bank deposits in the early 1970's where departments deposited their receipts directly with the local branch of Bank of America accelerated the flow of cash into the Treasury. During 1979-80 Fiscal Year the Cash Manager position was created based on the recommendation of the Mayor's Fiscal Advisory Committee. The Cash Manager's primary duty will be to see that all departments follow the Charter mandate that the Treasurer receive and receipt all funds which have been deposited with all City departments by the next business day. The Cash Manager will investigate non-compliance of departments and formulate procedures to avoid delays. The Mayor's Fiscal Advisory Committee also recommended a lockbox system of processing invoiced receipts directly mailed to a successful bidder bank. In October of 1979 Crocker Bank was the successful bidder and a combined lockbox account was set up to process invoiced receipts of the Airport Commission, Port Commission, San Francisco General Hospital, and Laguna Honda Hospital. At the same time the Treasurer



Tax Collector Parking Meter operation was also established as a Wells Fargo Bank lockbox system. Our Investment Officer can invest these receipts by the next morning, and process direct deposit to our account.

The installation and operation of the NCR Remittance Processing System during 1980-81 will further accelerate the flow of cash into the Treasury, especially the property tax receipts during November, December, and again during March, April. All checks received will be encoded, microfilmed, sorted and directly deposited to the major banks when the funds can be fully invested the next morning. Currently, there is one day waiting period before the funds can be invested. Thus "float" will be eliminated by the new Remittance Processing System.

The Investment Division of the Treasurer's Office has gained national recognition for its performance, and has served as a model for city, county and state treasurers throughout the country. We look forward to another challenging and successful year for 1980-81.

#### CASH MANAGEMENT

It is important to know these restrictions and adhere to them not only for legality but because these are measures of safety



investment.

- 1) Constraints government code - charter
- 2) Activity guideline in addition to code, is the "Prudent Man Rule"
  - a) Security
  - b) Liquidity
  - c) Yield

Security can be passive or active. Passive would be to accept present instruments of investment. Active would be to increase areas now as before the legislature; to include an increase in percentage of bankers acceptance from 15% to 30%; to recommend approval of commercial paper; to weigh the wisdom of allowing mortgages and deeds of trust as eligible instruments, and joining the State Local Agency Investment pool. Seeking generally to be aggressive in alternate areas of safe investments.

Liquidity is the measure of term investable funds as opposed to negotiable investments. The measure of the percentage of liquidity is based on the cash flow needs determined by the projected receipts and disbursements. We are now in an area of such low yield in term investment that our objective is to increase our liquidity as term investments mature.



Yield is a return which is based either upon a percentage rate or a pickup of interest earnings as the result of selling in a favorable market condition. Yield is a temptation that has caused greatest amount of risk in investments. In management of public funds the Treasurer is forced into a competitive yield arena. The comparative rates of annual investment returns can sometimes obscure the priorities as mentioned above, and place yield in the top priority.

While we have previously referred to the importance of constraints and activity in reference to cash management underlying objective portfolio. We have an average daily balance of approximately \$400,000,000, and with our current city budget of \$750,000,000 these amounts are portfolio activity of \$1.5 billion this year. In less active counties, the portfolio is purchased with the intention of holding it until maturity. Our program is based upon churning. During the current fiscal year we have actively exchanged excess of \$500,000,000 by more than 200 transactions. We can expect this type of buying and selling, swapping and trading, can increase our interest earnings by as much \$3,000,000 this year. Our success in this activity is the result of computerized cash management. The computer system has been modified from its original programs to serve our needs of inventory control thus allowing active trading in public funds.





Inheritance Tax: We are pleased to report activities of the Inheritance Tax Division for Fiscal Year 1978-79. Most noticeable in our view was the largest commission earned by this county on collections since the inception of California Inheritance Tax on March 23, 1893. This amounted to \$93,481.36 which represents an 11% increase from last year's previous high.

Secondly, as a result of the above, our interest earnings were increased by 77% from \$45,372.43 to \$80,473.04. Perhaps at this time acknowledgment to the Investment Division is in order for the manner in which these funds drew interest. Our figure is based on a daily investment average of 9.12% and held for eight days.

During the span of the year, we had 63 individual collections in excess of \$100,000.00. By special handling procedures of these substantial deposits, we were able to add to the amount of cash available for investment purposes. These procedures will continue to be implemented with the thought that in the upcoming fiscal year we may increase revenue.

Those were the financial highlights. Now to the workload factors: despite a small increase of 1% in box inventories, we were able for the most part to reduce average waiting time to between



eight and nine days. This was past years objective; however, to accomplish this, it was necessary to try experimentation in scheduling. Our first attempt was in "districting" whereby one examiner would spend the whole working day in a neighborhood with a prior high rate of inventories. For the most part, these areas were the Marina district, West Portal area and the outer Mission district.

Secondly, we tried an extended work day without "flex" hours by scheduling every hour on the hour from 9:00 a.m. to 3:00 p.m. (the banking hours), plus in the event some inventories would be small and of a nature that the work could be accomplished within a span of 1/2 hour, or less, additional appointments would be made on a "fill-in" basis. For example, if a deputy had been given a schedule of 9:00 a.m. at any bank or savings and loan institution, and a 10:00 a.m. schedule at a nearby bank or savings and loan institution, we would add to the schedule a 9:30 a.m. appointment. This would increase the examiner's daily workload from an average of five or six boxes a day to eight or nine. However, it must be stressed that the deputy assigned to this type of duty gives up his/her lunch time, break and personal needs time. We are most fortunate to have as part of our work force persons of an unstinting nature.



Your attention is invited to our Exhibits "IT" which indicated again that through diligence and some voluntary cutbacks expenses incurred in the operation of the division were really a "bare bones" total. This in the company of the highest ever commission and interest earnings is the result of diligent awareness of cash flow and investment opportunities.



INHERITANCE SERVICES

INCOME vs EXPENSES

A Comparison

| <u>INCOME</u>                   | <u>F/Y 79 - 80</u> | <u>F/Y 78 - 79</u> |
|---------------------------------|--------------------|--------------------|
| Commissions                     | 100,603.15         | 93,481.36          |
| Fee Tags                        | 52.00              | 46.00              |
| Interest Earned                 | <u>119,228.16</u>  | <u>80,473.04</u>   |
| Total Earnings                  | \$121,883.31       | \$174,000.40       |
| <br><u>EXPENSES</u>             |                    |                    |
| Salaries                        | 93,605.00          | 80,494.00          |
| Fringe                          | 28,118.00          | 22,791.00          |
| Mileage                         | 1,123.00           | 1,090.50           |
| Telephone                       | - - *              | - - *              |
| Postage                         | - - *              | - - *              |
| Local Fares (Fast Passes)       | 395.00             | 352.90             |
| Printing                        | <u>- - *</u>       | <u>- - *</u>       |
| Total Expenses                  | \$123,241.00       | \$104,728.40       |
| <br><u>INCOME OVER EXPENSES</u> | <br>\$ 96,642.31   | <br>\$ 69,272.00   |

\*Included in Administration





# COMPUTATION OF COMMISSIONS

|                                                                                          |                 |
|------------------------------------------------------------------------------------------|-----------------|
| (1) Total cumulative net collections to date                                             | \$44,158,590.42 |
| (a) Commissions                                                                          | \$ 100,603.74   |
| (b) Add 20% for qualified counties*                                                      | Ø               |
| (c) Total commissions to date                                                            | 100,603.74      |
| (d) Less : Prior commissions this year<br>(item (1) (c) of last prior Settlement Report) | - 96,121.37     |
| (2) Commissions for this period                                                          | \$ 100,603.74   |

\*Counties qualifying for additional 20%: Alprine, Inyo, Lassen, Mariposa, Modoc, Mono, Plumas, San Bernardino, Sierra and Trinity.

|                     |                   |
|---------------------|-------------------|
| (1) (a) 8 M M       | 42,750.00         |
| 36,158,590.42 @.16% | 57,853.74         |
|                     | <u>100,603.74</u> |

## COMMISSION RATE TABLE

| <u>AMOUNT OF COLLECTIONS</u> | <u>AMOUNT OF COMMISSION</u>     |
|------------------------------|---------------------------------|
| \$ 0 - \$ 250,000            | 2.5%                            |
| 250,000 - 1,000,000          | \$ 6,250 + 1.0% over \$ 250,000 |
| 1,000,000 - 2,000,000        | 13,750 + 0.5% over 1,000,000    |
| 2,000,000 - 8,000,000        | 18,750 + 0.4% over 2,000,000    |
| 8,000,000 - 100,000,000      | 42,750 + 0.16% over 8,000,000   |
| Over \$100,000,000           | 189,950 + 0.1% over 100,000,000 |

Plus an additional 20% of the commissions computed above for counties with (a) an area exceeding 10,000 square miles or (b) a population density of less than 5 per square mile at the time of the las regular federal census. A county qualifying under both (a) and (b) shall receive only one 20% increment.



# SETTLEMENT REPORT OF THE TREASURER

OF San Francisco COUNTY

Of inheritance taxes received by him under the provisions of the Revenue and Taxation Code, Division 2, Part 8, and amendments thereto, from

July 1, 1979 to June 30, 1980 .

## AMOUNT DUE STATE

Collections 95740/97937  
 Receipts No. 06351/06417 to 00003/2098 inclusive \$44,158,590.42

### Deduct:

|                                        |                     |
|----------------------------------------|---------------------|
| Referees claims (paid claims attached) | \$ <u>Ø</u>         |
| Commissions                            | <u>100,603.74</u>   |
| Total Deductions                       | <u>\$100,603.74</u> |

Net Amount Due State \$44,057,986.26

I declare under penalty of perjury that the foregoing is full, true and correct, according to the records of my office.

THOMAS C. SCANLON  
 COUNTY TREASURER

July 1, 1980  
 DATE



# S U M M A R Y

## POOLED CASH - UNAPPORTIONED INTEREST

Average Daily Balance  
Annual yield  
Yield at end of year  
Interest Received

1977-78  
\$ 280.MM  
6.534%  
7.619%  
\$17,158,587.

1978-79  
\$ 333.MM  
9.27%  
10.15%  
\$29,577,314.

1979-80  
\$ 394.MM  
12.15%  
11.619%  
\$43,754,304

## AIRPORT BOND FUND

Average Daily Balance  
Annual yield  
Yield at end of year  
Interest Received

\$ 82.MM  
6.283%  
7.83%  
\$4,909,684.

\$ 108.MM  
9.00%  
9.22%  
\$6,945,769.

\$ 109.MM  
9.828%  
8.663%  
\$12,468,967

## SEWER REVENUE BOND FUND

Average Daily Balance  
Annual yield  
Yield at end of year  
Interest Received

\$ 165.MM  
7.396%  
7.437%  
\$942,977.

\$ 465.MM  
7.81%  
9.28%  
\$3,746,388.

\$ 251.MM  
9.453%  
10.240%  
\$2,500,278.

## ALL OTHERS

Average Daily Balance  
Interest Received

\$ 18.5MM  
\$285,959.

\$ 21.9MM  
\$1,750,026.

\$ 17.9MM  
\$2,500,167.

## TOTAL

Average Daily Balance  
Annual yield  
Yield at end of year  
Interest Received

\$ 397.MM  
6.542%  
7.588%  
\$23,297,207.

\$ 509.4MM  
9.08%  
9.93%  
\$42,019,497.

\$ 546.MM  
11.280%  
11.155%  
\$61,223,716



TAX COLLECTOR  
1979-1980 ANNUAL REPORT

The responsibility of administering the receipt and deposit of all monies for taxes, licenses and other fees due the City and County is assigned by the Charter to the office of the Tax Collector. His, also, is the provision of delinquent collection services to City Departments. To be effective this work requires coordination with other City and County officials and agencies, State authorities, the Board of Supervisors and other tax administrators and policy bodies.

The Tax Collector supervises seven operating divisions: Real Estate, License, Business Taxes, Investigations, Parking Meters, Cashier's and Delinquent Revenue which have the following basic goals.

1. To provide centralized administrative services for the department and support services to the divisional programs and activities.
2. To provide for the centralized collection of secured and unsecured property taxes for local government taxing agencies within the City and County of San Francisco.
3. To maintain a post audit program to determine the accuracy of taxpayer reports and to levy additional taxes if the audit so indicates an underpayment.
4. To administer and collect the Business Tax, Payroll Expense Tax, Parking Tax, Utility Users Tax and Stadium Admission Tax.





5. To collect fees for licenses and permits which are required by Municipal Code, Part III; to collect the Transient Occupancy Tax and dog license fees; and to determine eligibility for preferential parking permits in selected residential areas and to collect fees for same.
6. To administer and account for the collection of Parking Meter revenues.
7. To provide for the centralized collection of accounts delinquent in excess of 90 days for all City and County departments except those under the jurisdiction of the Public Utilities Commission and to provide for the resolution of all delinquent taxpayer accounts.

A more detailed description of the function of each division is to be found in the body of this report. It is accompanied by individual program goal statements which are directed towards the achievement of the timeliness and quality of service delivery necessitated by the scheduled needs of the City's financial requirements. This report also reflects the first full years experience of the Tax Collector's office with management by objective in conjunction with the FIRM project.

#### ADMINISTRATION

The administration's first year of experience with Management by Objective was primarily positive. With a goal of providing centralized administrative services for the department and support services to the programs and activities of the Tax Collector's office, four objectives were



set: (a) To complete at least three evaluations or work standard reports during Fiscal Year 1979-80, (b) To maintain administration at no more than 7% of the total department budget, (c) To ensure that at least 85% of the 1979-80 departmental objectives were met, and (d) To develop and present one in-house training program per unit to improve staff efficiency and effectiveness. All of these were met with the exception of the third as only 74% of the departmental objectives were met instead of the 85% targeted. Our lack of experience with MBO and an insufficiency of historical data had resulted in the setting of some unrealistically high targets. With a years experience and an in depth analysis of 1979-80 performance, the 1980-81 objectives have been revised so that it is our belief that the 85% achievement of departmental objectives can be met in fiscal 1980-81.

#### CASHIER'S DIVISION

The Cashier's Division is responsible for processing all the payments of taxes, licenses and revenues received in the Tax Collector's office and for depositing all the money collected with the Treasurer.

A system of numeric identification and receipts provides good internal control of payments. All the checks are microfilmed before depositing. All receipts are deposited with the Treasurer daily.

The objective of the Cashier's division was to "process and account for the receipt of collections --- by the close of the same business day" with a target of 394,000 items. The actual number of items was 396,067 and



there were two quarters in which the number of items handled due to unfilled staff positions caused temporary shortfalls of this objective.

The staff did extremely well in trying to meet its objective of processing all the receipts by the close of the same business day. The items processed for the year totaled 396,067 exceeding the annual target of 394,000. Understaffing throughout the year caused this division to fall short of its objective during some of the collection periods.

In the coming year, this division will have a new unit to handle mail opening and check control for the Tax Collector's office.

#### Uniform Sales and Purchase Tax

San Francisco's Uniform Sales and Purchase Tax has been collected since July 1958, by the State of California as agent for the City and County, and the revenues minus collection costs are returned to the City and County. The amount credited to San Francisco for fiscal year 1970-80 was \$48,121,811.

Beginning in September, 1972, half of one percent was collected in taxes from the Uniform Sales and Purchase Tax and remitted to the San Francisco Bay Area Rapid Transit District. For fiscal year 1979-80 this amount was \$12,038,771.



Comparison of Collections by the Cashier's Division:

| TYPE OF COLLECTION                       | 1979-80              |                                | 1978-79              |                                |
|------------------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|
|                                          | Amount               | Number<br>of Tags<br>Processed | Amount               | Number<br>of Tags<br>Processed |
| Real Estate Tax                          | \$179,781,782        | 267,378                        | \$168,425,652        | 259,014                        |
| Unsecured Personal<br>Property Tax       | 25,117,568           | 39,048                         | 45,274,706           | 33,683                         |
| Business Tax                             | 4,949,785            | 2,664                          | 4,026,955            | 2,756                          |
| Payroll Tax                              | 42,710,846           | 11,987                         | 38,639,686           | 11,703                         |
| Parking Tax                              | 7,219,319            | 1,217                          | 6,500,418            | 1,244                          |
| Utility Tax                              | 17,665,930           | 435                            | 16,737,390           | 441                            |
| Stadium Tax                              | 227,024              | 8                              | 87,849               | 18                             |
| Hotel Tax                                | 23,640,836           | 1,381                          | 18,490,545           | 1,295                          |
| Licenses                                 | 2,348,358            | 64,310                         | 2,798,357            | 76,209                         |
| Parking Meter                            | 3,043,372            | 253                            | 3,097,849            | 256                            |
| Retail Sales and<br>Local Transportation | 60,160,582           | 25                             | 53,467,468           | 25                             |
| Tax Redemption                           | 4,001,240            | 3,285                          | 4,869,936            | 2,934                          |
| Delinquent Revenue                       | 946,723              | 3,657                          | 639,987              | 3,848                          |
| Other                                    | 967,491              | 419                            | 860,335              | 137                            |
|                                          | <u>\$772,785,856</u> | <u>396,067</u>                 | <u>\$763,918,133</u> | <u>393,563</u>                 |





## REAL ESTATE DIVISION

The functions of the Real Estate Division are: to distribute tax bills to property owners, lending institutions, tax-servicing agencies, real estate brokers, etc.; to collect current and delinquent taxes for the City and County, the school and other special districts, e.g., BART and the Bay Area Pollution Control District; to collect current and delinquent special assessments (refuse collection charges, water and sewer charges, sidewalk repair charges, etc.); to record properties sold and deeded to the State for delinquent taxes; and to sell at public auction real property on which taxes remain unpaid after deeding to the State. It is also the responsibility of this division to refund duplicate and overpayments of secured and unsecured taxes. In addition, the collection of current unsecured personal property taxes was assigned to this division in 1979-80.

This division also responds to telephoned and in-person inquiries from citizens concerning tax payments, due dates, assessments, and ownership as well as requests for tax receipts and copies of bills. It also responds to a wide spectrum of questions which may or may not be tax related but which must be answered or referred as appropriate. In 1979-80 there were 93,934 such requests. In order to respond appropriately and accurately the division has three Microfiche viewers containing the tax rolls which are also available for public use and two EDP connected IBM bill-printors. Because of the heavy influx of such requests during the peak collection seasons of December and April, there are frequent and sometimes extended delays in reaching the division by phone.



As in previous years, a night crew was utilized for a short period in the pre-audit phase of the secured collections. This enabled the collection of almost all of the remittances within 4-5 working days, after the tax deadlines. Use was also made of tape to tape collections via two tax servicing agencies, Realty Tax Service and Transamerica Tax Service. Their tapes are sent directly to EDP which eliminates the manual handling of bills and the rapid detection of duplicate, under or overpayments. This system, CORTAC, made it possible for the Cashier to deposit the four checks, two per installment, with the Treasurer immediately upon receipt for a total of \$ 5,910,896.

#### The Effects of Proposition 13

The following indicators show that this legislation has not resulted in a more timely payment of taxes nor has it reduced the rate of delinquencies in either of the years since its passage:

| <u>SECURED PROPERTY</u>     | <u>1979-80</u> | <u>1978-79</u> | <u>1977-78</u> |
|-----------------------------|----------------|----------------|----------------|
| Tax Rate                    | \$ 4.97        | \$ 5.06        | \$ 11.70       |
| Tax Bills Issued            | 150,503        | 154,505        | 153,963        |
| Tax Collections             | 178,558,098    | 166,830,000    | 355,958,000    |
| Penalties Collected         | 288,466        | 290,761        | 383,816        |
| Corrections to Secured Roll | 2,643          | 6,777          | 2,075          |
| Amount Delinquent           | 3,651,111      | 2,384,878      | 4,556,808      |
| % Delinquent                | 1.99           | 1.41           | 1.26           |



| <u>UNSECURED PROPERTY</u>                          | <u>1979-80</u> | <u>1978-79</u> |
|----------------------------------------------------|----------------|----------------|
| Tax Rate                                           | \$ 5.06        | \$ 11.70       |
| Tax Bills<br>Issued                                | 37,871         | 38,424         |
| Tax Collections                                    | \$ 22,390,715  | \$ 44,053,504  |
| Delinquent Taxes<br>Collected (Prior<br>Years)     | \$ 1,726,107   | \$ 904,665     |
| Prepayments (ad-<br>vance for next<br>fiscal year) | \$ 450,589     | \$ 229,199     |

Proposition 13 has also continued to impact the workload of the real estate division through corrections to the secured roll. These corrections, to a large extent, have resulted from changes in the State Board of Equalizations guidelines as to what constitutes an ownership change. This in turn triggers an assessment adjustment and the issuance of corrected tax bills. As a result the division processed 2,095 refunds of duplicate or overpayments. This number does not include duplicate and overpayments detected in the pre-audit phase. While the number of roll corrections was lower than the previous year, the continued strong real estate market, which has not shown a downward trend until recently, contributed significantly to the number of duplicate payments requiring a refund.

The number of Senior Citizens choosing to enroll in the Property Tax Postponement program authorized by SB 117 has continued to decline. There were 298 in 1977-78, 131 in 1978-79 and only 42 new enrollees in 1979-80. There are currently 380 in the program.



In reference to the FIRM project, the Real Estate Division had five objectives: (a) to complete mailing of all current year tax bills by October 15, (b) to maintain the secured property receivable taxes delinquencies at no more than 1.2% of the total roll, (c) to process within 5 working days all payments received on or before December 10 and April 10, (d) to increase the unsecured tax collection rate to 96%, and (e) to provide a listing of delinquent accounts to the Investigation and Collection Unit by Sept. 25 for the accounts delinquent as of August 31. These were all met with the exception of b. 150,503 tax bills were mailed against a secured roll assessment of \$ 182,209,209 and \$ 178,558,098 was received. This figure represents 98% of the total assessment. Against an unsecured assessment of \$ 23,500,000, 37,871 tax bills were mailed for a collection of \$ 22,390,715 or 95.2% of the total assessment.

In the coming year the FIRM objectives remain largely the same except that deadline for mailing the tax bills has been set at November 1st. The secured property receivable delinquency rate has been altered to no more than 1.5% of the total roll. The division hopes to maintain the uncollected portion of the unsecured role at no more than 5%.

#### TAX REDEMPTION BUREAU

The Tax Redemption Bureau serves the City and County and the Tax Collector's office by reminding real estate taxpayers, who have failed to pay their taxes by June 30th, of their delinquencies by letters and telephone calls. It also informs title companies, banks, mortgage companies,





etc. about redemption amounts and current outstanding tax liabilities on certain real estate properties upon request. In addition, it maintains the lists of properties sold and deeded to the State for publication in compliance with the Property Tax Laws of California.

The cumulative total of delinquent secured property taxes as of June 30, 1980 was \$ 3,914,769\* compared to \$ 2,540,824 as of June 30, 1979. On the other hand, of the secured property taxes that became delinquent in years previous to fiscal 1979-80 \$ 3,099,851 was collected in 1979-80. An additional \$ 682,212 was obtained from Delinquent penalties, costs, redemption fees and redemption penalties for a total of \$ 3,782,063 in full redemptions. The full redemptions total had been \$ 4,567,392 in 1978-79. The fiscal 1979-80 redemptions therefore represent a 17% decrease over those of the previous year. However the amount secured from redemption penalties 1979-80 was \$ 472,413 against \$ 441,395 in the previous year.

On June 30 of 1980, 4,636 parcels had been sold to the state, an increase of 1443 over the year before. The total number of parcels deeded to the state on July 11, 1980 was 26. This represents an increase of 18 from July in 1979.

Full Redemption by Month 1979-80  
Collection by Months

|            | Taxes   | Delinq.<br>Penalties | Cost  | Redemp.<br>Fee | Redemp.<br>Penalties | Totals  |
|------------|---------|----------------------|-------|----------------|----------------------|---------|
| July, 1979 | 339,583 | 20,308               | 1,360 | 1,679          | 21,484               | 384,416 |
| Aug        | 455,532 | 27,292               | 1,830 | 2,235          | 35,149               | 522,039 |
| Sept       | 346,657 | 20,767               | 1,646 | 1,985          | 28,691               | 399,747 |
| Oct        | 337,132 | 20,005               | 2,316 | 1,992          | 37,443               | 398,889 |
| Nov        | 193,962 | 11,530               | 852   | 1,026          | 21,236               | 228,607 |
| Dec        | 522,088 | 31,322               | 1,014 | 1,058          | 102,808              | 658,291 |



|          | Taxes     | Delinq.<br>Penalties | Cost   | Redemp.<br>Fee | Redemp.<br>Penalties | Totals    |
|----------|-----------|----------------------|--------|----------------|----------------------|-----------|
| Jan 1980 | 173,831   | 10,428               | 542    | 454            | 33,343               | 218,600   |
| Feb      | 75,520    | 4,517                | 327    | 371            | 9,837                | 90,573    |
| March    | 107,603   | 6,455                | 375    | 366            | 15,308               | 130,108   |
| April    | 266,430   | 15,911               | 966    | 558            | 75,139               | 359,005   |
| May      | 176,065   | 10,562               | 312    | 297            | 64,702               | 251,938   |
|          | 2,994,406 | 179,101              | 11,542 | 12,022         | 445,145              | 3,642,218 |
| June     | 105,442   | 6,325                | 468    | 341            | 27,267               | 139,844   |
|          | 3,099,851 | 185,427              | 12,009 | 12,363         | 472,413              | 3,782,063 |

Collections by Fiscal Year

|         | Taxes     | Delinq.<br>Penalties | Cost   | Redemp.<br>Fee | Redemp.<br>Penalties | Totals    |
|---------|-----------|----------------------|--------|----------------|----------------------|-----------|
| 1966-67 | 126       | 8                    | 12     | 7              | 1,205                | 1,358     |
| 1967-68 | 282       | 17                   | 12     | -              | -                    | 311       |
| 1968-69 | 327       | 20                   | 12     | -              | -                    | 359       |
| 1969-70 | 1,929     | 116                  | 24     | 8              | 8,442                | 10,519    |
| 1970-71 | 7,950     | 477                  | 63     | 26             | 15,090               | 23,606    |
| 1971-72 | 23,617    | 1,416                | 93     | 20             | 31,960               | 57,106    |
| 1972-73 | 34,593    | 2,075                | 177    | 58             | 4,009                | 40,912    |
| 1973-74 | 57,552    | 3,452                | 202    | 30             | 83,368               | 144,604   |
| 1974-75 | 86,287    | 5,176                | 258    | 62             | 23,103               | 114,886   |
| 1975-76 | 116,433   | 6,985                | 396    | 148            | 53,058               | 177,020   |
| 1976-77 | 332,782   | 19,964               | 651    | 218            | 108,836              | 462,451   |
| 1977-78 | 826,025   | 49,530               | 2,177  | 1,109          | 92,739               | 971,579   |
| 1978-79 | 1611,949  | 96,191               | 7,932  | 10,677         | 50,603               | 1,777,352 |
|         | 3,099,851 | 185,427              | 12,009 | 12,363         | 472,413              | 3,782,063 |

BUSINESS TAXES DIVISION

The Business Taxes Division is responsible for the administration of the Business Tax, Payroll Expense Tax, Parking Tax, Utility Users Tax, Stadium Admission Tax and the audit function of the Hotel Tax.

The Business Tax is a tax on the gross receipts generated from business activities occurred in San Francisco. The Payroll Expense Tax is on the payroll expenses of persons doing business in the city. The taxpayer files a statement annually showing calculations for both taxes and pays only the higher of the two taxes. The Parking Tax is imposed on the occupant of a parking space in a parking station. The



Utility Users Tax is on the users of gas, electricity, steam, water and telephone services. The Stadium Operator Admission Tax is imposed on the operator of athletic contests, exhibitions and other special events in a stadium.

The following is a tabulation showing the collections of the various taxes by this division in fiscal years 1978-1979 and 1979-1980:

|                      | 1979-80        | 1978-79       |
|----------------------|----------------|---------------|
| Business/Payroll Tax | \$47,660,631   | \$42,666,639  |
| Parking Tax          | 7,219,321      | 6,576,454     |
| Utility Tax          | 17,665,930     | 17,451,320    |
| Stadium Tax          | <u>227,024</u> | <u>87,849</u> |
| Total Collections    | \$72,772,906   | \$66,782,262  |

The Business Tax Divisions Management Objectives for 1979-80 were divided into two areas. The first of these involves the administration and collection of the business taxes enumerated above. For this function, three objectives were set: 1) To process 90% of the tax statements received by March 1 within 15 working days; 2) to reduce by 5% the number of delinquent accounts to investigation and 3) to send out determination statements to all delinquent taxpayers before July 1st, 1980. The first objective was accomplished within 14 working days and the objective for 1980-81 is to reduce that to 13 working days. The second objective called for a 5% reduction and a 49% reduction was achieved by an extensive investigation of returned mails and the resulting correction of taxpayer master files. Unfortunately the division lacks the manpower to repeat a similar investigation so the objective set for 1980-81 is to maintain the number



of delinquent accounts sent to investigation. The third objective called for a mailing by July 1 of delinquent accounts. This mailing, ready on June 28th, was not mailed until July 7th due to a lack of funds for postage. The objective for 1980-81 is to effect this mailing by July 1, 1981.

The audit division expended 19,175 man hours on 1488 completed audits with an average audit taking 12.9 hours of time. The result was an extraordinary \$2,392,597 of tax deficiency billed with a recovery rate of \$125 per audit hour. Based upon the belief that this exceptionally high recovery rate was due to unusual and probably non-recurring findings of the audit team, the objectives for fiscal 1980-81 call for a total of 1,250 audits at an average of 14 hours per audit with a targeted recovery rate of \$60 per hour. This is an increase of \$16 per hour over 1979-80 target of \$44 but under the actual recovery rate of this year.

#### LICENSE DIVISION

Most business licenses in San Francisco are regulatory in nature and the fees are collected to defray the costs of inspections by the Departments of Public Works, Police, Fire and Public Health. The License Bureau serves as a central collection agency for the collection of those fees required by Part III of the Municipal Code, the collection of the Transient Occupancy Tax and Dog License Fees. It is also responsible for administering the preferential parking program for the ten areas presently included in the program. This includes the determination of eligibility for the Residential Parking Permits and the collection of the fees.





In fiscal 1979-80, the License Division collected \$25,989,194 an increase \$4,700,339 over the preceding year. This increase is mainly attributable to an increase in the Hotel Transient Tax from 6 to 8% on June 30, 1978. It off-set decreases in Food Preparation and Service collections of \$403,991 caused by a delayed increase in the rates by the Department of Public Health causing a delay in the collections past June 30, 1980. Dog licenses decreased by \$74,600 because the renewals which would normally have been mailed in May could not be sent out until July due to the lack of money for postage.

|                     | <u>1979-1980</u> |                      | <u>1978-1979</u> |                     |
|---------------------|------------------|----------------------|------------------|---------------------|
|                     | <u>Number</u>    | <u>Amounts</u>       | <u>Number</u>    | <u>Amounts</u>      |
| General Business    | 24,956           | \$ 1,622,611         | 23,953           | \$ 1,495,739        |
| Vehicles            | 282              | 49,031               | 1,693            | 57,146              |
| Inspection Fees     | 1,819            | 227,022              | 1,765            | 175,099             |
| Miscellaneous       | 4,901            | 27,099               | 5,102            | 28,275              |
| Dogs                | 10,495           | 73,661               | 23,501           | 148,261             |
| Curb Painting       | 4                | 34                   | 2                | 20                  |
| Food Prep. & Serv.  | 1,487            | 227,161              | 3,891            | 631,152             |
| Taxicab Transfers   | 1                | 1,000                | 173              | 170,500             |
| Limousine Transfers | -0-              | -0-                  | -0-              | -0-                 |
| Surcharge D.P.W.    | 7                | 14                   | 18               | 34                  |
| Parking Permits     | <u>19,965</u>    | <u>120,725</u>       | <u>15,657</u>    | <u>92,085</u>       |
| Sub-Total:          | 63,917           | 2,348,358            | 75,755           | 2,798,311           |
| Hotel Tax           | <u>1,381</u>     | <u>23,640,836</u>    | <u>1,363</u>     | <u>18,490,544</u>   |
| Grand Total:        | <u>65,298</u>    | <u>\$ 25,989,194</u> | <u>77,118</u>    | <u>\$21,288,855</u> |

\*These figures represent the amounts actually collected in Fiscal Year 1979-80 by Licensing. The figures in the Cashier's report include all amounts collected for 1979-80, including sums collected in advance.

The objectives set for the License Bureau were three in number: to maintain staff utilization at 95% for the fiscal year, to provide the Investigators unit with a listing of all delinquent apartment house license renewals by February 15, and to deposit all transient occupancy tax within one day. In fiscal 1979-80, objective number one was



achieved and exceeded and the objective in 1980-81 is 98% staff utilization. Both the second and the third objectives were also achieved and these will remain the same for the coming fiscal year.

#### Hotel Transient Tax

The Hotel Transient Tax, even though a separate budget item, is still collected by the License Division. There has been no great increase in the number of Hotels in San Francisco so the increase in fees collected this Fiscal Year must be mostly due to increased rates charged by Hotels; also, the rate of tax was increased from 6% to 8% on June 30, 1978. For the Fiscal Year 1979-80, the increase in Transient Tax was \$ 5,150,292.

| <u>Quarters</u> |   |   |              | <u>1979-80</u>       | <u>1978-79</u>       |
|-----------------|---|---|--------------|----------------------|----------------------|
| July            | 1 | - | September 30 | \$ 5,696,743         | \$ 3,388,433         |
| October         | 1 | - | December 31  | 6,695,924            | 5,525,786            |
| January         | 1 | - | March 31     | 5,850,991            | 4,659,875            |
| April           | 1 | - | June 30      | <u>5,397,178</u>     | <u>4,916,450</u>     |
|                 |   |   |              | <u>\$ 23,640,836</u> | <u>\$ 18,490,544</u> |

#### PARKING METERS DIVISION

The goal of the Parking Meter Division is to "administer and account for collections of the Parking Meter Revenue within the City and County of San Francisco". This means that the division is responsible for seeing that the revenue is collected, sorted, counted and deposited. The city has approximately 15,650 meters in operation at this time. A breakdown is listed below:

|                    |      |       |
|--------------------|------|-------|
| 2 hour limit at    | 10 ¢ | 1,165 |
| 1 hour limit at    | 10 ¢ | 8,584 |
| 1 hour limit at    | 25 ¢ | 3,900 |
| 30 minute limit at | 5 ¢  | 34    |
| 30 minute limit at | 10 ¢ | 1,387 |



|                        |           |
|------------------------|-----------|
| 15 minute limit at 5¢  | 516       |
| 15 minute limit at 10¢ | <u>64</u> |
| TOTAL                  | 15,650    |

Distribution of these meters in on-street and off-street lots is as follows:

|                                                   |            |
|---------------------------------------------------|------------|
| Street Meters:                                    | 14,840     |
| Meters in 20 off-street lots throughout the city: | <u>810</u> |
|                                                   | 15,650     |

The actual meter collections during 1979-80 were effected by Brinks, Inc. operating on a contract with the City and County of San Francisco. Brinks delivers the collections to Wells Fargo Bank where the coins are sorted, counted and deposited by the bank into the City's account with the Bank of America. The collections have been in the hands of Brinks since the time of meter collection scandal but the sorting and counting function was transferred to Wells Fargo from the Bank of America at the beginning of November, 1979. Both of these contracts function under the Controller's certification that it is less expensive to contract out these functions rather than have the City and County attempt them.

Approximately 4,100 meters were purchased from two major manufacturers, DUNCAN and POM, and were installed by the Department of Electricity. Out of the 4,100 meters, 3,900 were DUNCAN and 200 were POM. All of these meters are manual vaulted meters for better security purposes, as compared to the old "free fall" meters. These two types of meters were installed in a special test area and were closely monitored. On the basis of their performance, it was concluded that the DUNCAN meter was the better of the two.

On May, 1980 the purchase of 6,605 meters, up from



the 5,100 originally anticipated, was negotiated. The two bidders were DUNCAN and POM. The contract was awarded to POM thru default. The DUNCAN representative did not make the bid deadline due to problems with plane connections in Los Angeles. All of these meters are to be installed during the 1980-81 Fiscal Year.

These meters will begin to arrive in September, 1980 with the final shipment presently scheduled for February in 1981. The installation of these new meters will greatly increase the security of the meter collections as the coins will never be handled directly by the collectors.

In May of 1980, the Board of Supervisors voted a 100% increase in meter rates. The Department of Electricity began to convert the meters to the new rates in July of 1980. While this work will not be complete until the middle of Fiscal 1980-81, it is anticipated that it will result in a 63% increase in revenue in Fiscal Year 1980-81. This should bring in an additional \$ 1,920,474 in for an anticipated \$ 4,968,846 in Parking Meter income. The revenue received from parking meter collections for Fiscal Year 1979-80 was \$3,048,372. The collection broken down by denomination and zones is listed below.





|                 | <u>QUANTITIES</u> | <u>AMOUNT</u> |
|-----------------|-------------------|---------------|
| TOTAL           | 51,309,204        | \$ 3,048,372  |
| 1¢              | 23,016,622        | 230,166       |
| 5¢              | 12,551,441        | 627,572       |
| 10¢             | 11,658,495        | 1,165,850     |
| 25¢             | 4,082,646         | 1,020,662     |
| ZONE 1          | 12,093,831        | \$ 765,402    |
| 1¢              | 4,819,540         | 48,195        |
| 5¢              | 3,102,256         | 155,113       |
| 10¢             | 3,206,098         | 320,610       |
| 25¢             | 965,937           | 241,484       |
| ZONE 2          | 7,218,877         | \$ 746,805    |
| 1¢              | 1,462,580         | 14,626        |
| 5¢              | 1,935,535         | 96,777        |
| 10¢             | 2,131,922         | 213,192       |
| 25¢             | 1,688,840         | 422,210       |
| ZONE 3          | 12,426,249        | \$ 782,201    |
| 1¢              | 5,305,741         | 53,057        |
| 5¢              | 3,136,781         | 156,839       |
| 10¢             | 2,824,179         | 282,418       |
| 25¢             | 1,159,548         | 289,867       |
| ZONE 4          | 16,426,884        | \$ 596,188    |
| 1¢              | 9,823,935         | 98,239        |
| 5¢              | 3,686,340         | 184,317       |
| 10¢             | 2,773,475         | 277,348       |
| 25¢             | 145,134           | 36,284        |
| DEPT. of ELEC.  | 501,163           | \$ 20,957     |
| 1¢              | 289,795           | 2,898         |
| 5¢              | 105,055           | 5,253         |
| 10¢             | 91,818            | 9,182         |
| 25¢             | 14,495            | 3,624         |
| OFF-STREET LOTS | 2,640,200         | \$ 132,697    |
| 1¢              | 1,315,031         | 13,150        |
| 5¢              | 585,474           | 29,274        |
| 10¢             | 631,003           | 63,100        |
| 25¢             | 106,692           | 27,173        |



In addition to this, Parking Meter Restitution payments by those convicted in the Parking Meter Scandal totalled \$ 4,110. There was also a \$12 adjustment added. The restitution and adjustment revenue is included in the Total revenue listed above.

The management objectives of the parking meter unit were to increase the amount of revenue generated by 5% during the fiscal year and to provide random surveillance of collection routes within all zones on a monthly bases. The first objective was not met and parking meter income decreased by \$ 49,477 from the \$ 3,097,849 of the previous year. This was largely due to the increased cost of gas which forced people into public transportation and/or carpools. The rate increase voted by the Board of Supervisor should produce an improvement in the amount of revenue collected next year and the objective is a 63% increase in income. The second objective was to provide two hours of surveillance per zone on a monthly basis. The number of hours of surveillance was exceeded but due to the loss of personnel in the Investigations unit, the zones were irregularly covered.

#### BUREAU OF DELINQUENT REVENUE

This Bureau, established in 1935, is the official collection agency of all delinquent revenue and accounts receivable for all departments and offices of the City and County, except municipally owned utilities under the jurisdiction of the Public Utilities Commission. It is also responsible for collecting Unsecured Personal Property Taxes and Business Taxes, both current and delinquent, when the business is being sold or going through bankruptcy.



Excluding Unsecured Personal Property and Business Taxes, a total of 2,849 delinquent accounts were transferred to the Bureau of Delinquent Revenue by various City and County departments during the fiscal year 1979-80.

Modification of collection procedures and priorities have been highly successful. Revenues from delinquent accounts have increased 48% over fiscal year 1978-79. Cancellations, which consist mainly of Medi-Cal, Medi-Care, medical insurance coverage and patient's payments paid directly to the hospital, has risen from \$ 211,872 to \$ 401,975 an increase of 89%. Although the cancellations are not included with revenue, it is the result of an augmented collection effort by the Bureau. As experience increases with the current staff, additional procedures will be initiated to keep pace with budgetary and other fiscal problems that may not have been anticipated.

Due to budgetary changes, the Bureau's objective for 1980-81 is to maintain a 70% level of prior year collections. Emphasis on the delinquent accounts will be on the larger collectible accounts with priority given to the collection of Unsecured Personal Property Tax and Business Taxes on those businesses that are being sold, closed or filing bankruptcy.



| <u>Collections</u>     | 1979-80           | 1978-79           |
|------------------------|-------------------|-------------------|
| Dept. of Public Health |                   |                   |
| No. of Payments        | 2,197             | 1,828             |
| Amount Collected       | \$ 852,861        | \$ 524,498        |
| Dept. of Public Works  |                   |                   |
| No. of Payments        | 54                | 88                |
| Amount Collected       | 5,027             | 12,851            |
| All Other Departments  |                   |                   |
| No. of Payments        | 1,399             | 1,744             |
| Amount Collected       | <u>88,835</u>     | <u>102,566</u>    |
| Total Collections -    |                   |                   |
| Delinq. City Accounts  | <u>\$ 946,723</u> | <u>\$ 639,915</u> |

Other Data:

|                                   |       |       |
|-----------------------------------|-------|-------|
| Total No. of Outstanding Accounts | 4,331 | 4,691 |
| Total No. of Full Abandonments    | 1,778 | 3,548 |
| Total No. of Accts. Collected     |       |       |
| in Full                           | 1,008 | 1,107 |

INVESTIGATION DIVISION

The Investigation Division conducts field investigations necessary to enforce compliance to requirements of the various tax codes and ordinances regulating the Tax Collector's Office.

Investigators conduct field investigations for the other divisions in the tax office. They also assist the Legal Division in preparing court cases by compiling reports, and by serving various kinds of legal documents. The Investigation Division prepares and sues on all Business Tax cases of \$750 and under.

The Investigation Division is responsible for the collection of all delinquent accounts transferred to it. We assign all accounts by priority. Any account over \$1,000 gets first priority. Those between \$750 and \$1,000 get





second priority. Accounts between \$500 and \$750 get third priority and accounts between \$200 and \$500 get the fourth priority. All cases under \$200 are collected by utilizing mail techniques.

The Investigation Division closed 2,584 fewer cases in fiscal year 1979-80 than in 1978-79, but collected \$1,273,151 more. This was done primarily by concentrating on the high priority cases and an effective monitoring system.

Supervisory personnel monitors at least 2% of all field calls made by the investigators. The Division also provides field surveillance of the parking meter collections.

The Investigation Division has four main objectives:

1. To make follow-up contact on all accounts over \$500 within one year of receipt.
2. To notify by mail all taxpayers with delinquent account less than \$200.
3. To have 2% of all field investigation reviewed by supervisory personnel through taxpayer contact.
4. To increase by 2% the number of field calls on delinquent accounts.

All of the above objectives were met and some were exceeded substantially. For instance, the number of field calls on delinquent tax accounts rose from 13,865 in 1978-79 to 16,640. This was an increase of 20%. It was made possible on a one time bases by the number of man hours devoted in 1978-79 to clearing the files and making an accurate account of the bills in them. This ground work should provide the bases for a 2% increase in field calls over the 1979-80 number in 1980-81 with a corresponding increase in "calls" effectiveness. The objectives for 1980-81 will remain as the same as those in 1979-80.



|                                                 | <u>1979-80</u> | <u>1978-79</u> |
|-------------------------------------------------|----------------|----------------|
| <b>Cases filed and instituted</b>               |                |                |
| Small Claims Court                              | 147            | 967            |
| Municipal/Superior Courts                       | 60             | 60             |
| Number of accounts open at<br>beginning of year | 18,240         | 15,184         |
| Number of accounts received<br>during year      | <u>12,136</u>  | <u>17,863</u>  |
| Subtotal                                        | 30,376         | 33,047         |
| Number of accounts closed<br>during year        | <u>12,383</u>  | <u>14,807</u>  |
| Number of accounts on hand<br>at end of year    | <u>17,993</u>  | <u>18,240</u>  |
| Certificates on file                            | 1,832          | 1,765          |
| Cases submitted for suit                        | 2,130          | 4,329          |
| Cases recommended for<br>abandonment            | 339            | 175            |
| Calls made during<br>fiscal year                | 16,978         | 13,865         |
| Collections made<br>during fiscal year          | \$ 4,519,034   | \$ 3,245,883   |



## LEGAL DIVISION

The Legal Division's principal mission is the enforcement of monetary obligations to the Tax Collector. While this is chiefly accomplished by bringing to trial disputed claims in either Superior or Municipal Court as appropriate, it is also the task of this division to propose amendments to the Municipal code which will significantly assist in the civil enforcement of these monetary obligations. To that end the Legal Division proposed two important pieces of legislation in Fiscal 1979-80. The first of these was an amendment to the Health code which would enable Bureau of Delinquent Revenue Collection to assert a claim of lien for hospital services when a wrongful death suit was filed. This was passed by the Board of Supervisors on June 27, 1980 and signed by the Mayor. The second was a set of amendments to the City's Gross Receipts Tax Ordinance and Payroll Expense Tax Ordinance. This piece of legislation is still pending before the Board of Supervisors. This legislative program took a substantial amount of legal division time both in meeting with the other divisions that would be affected by the changes as well as in the actual drafting of the technical amendments to these ordinances. It is the belief of this division as well as that of the Bureau of Delinquent Revenue and the Business Tax Division that these legislative changes will make it substantially easier to collect certain obligations to the Tax Collector's office.

In spite of the amount of time devoted to administrative and legislative effort in the last two quarters of the year, the amount of revenue collected from civil enforce-



ment was the highest reported by the legal division since revenue statistics were required to be reported. This was accomplished by the divisions policy of resolution through court action if necessary of all long pending civil actions in its inventory. Consequently, the division has reduced its inventory of contested actions by twenty-five (25%) per cent during this period. At the same time, in co-operation with a Senior Investigator, the division has consistently been executing upon the inventory of Abstracts of Judgment where the debtor has not been making regular installment payments. This endeavor has resulted in a small but consistent number of satisfactions of judgment - some of which date back to the early 1970's. The statistical summary of revenue collected and cases processed are as follows:

Statistical Report (Legal Division for Fiscal Year 1979-80)

Bureau of Delinquent Revenue Collection

|                                             |                |
|---------------------------------------------|----------------|
| Number of complaints filed                  | 5              |
| Number of Abstracts of Judgment<br>recorded | 7              |
| Dollar Recovery                             | \$ 626,061.44* |

Business Taxes

|                                             |                      |
|---------------------------------------------|----------------------|
| Number of complaints filed                  | 49                   |
| Number of Abstracts of Judgment<br>recorded | 30                   |
| Dollar Recovery                             | <u>\$ 343,273.71</u> |

Legal Division Totals

|                       |               |
|-----------------------|---------------|
| Total New Complaints  | 54            |
| Total New Abstracts   | 37            |
| Total Dollar Recovery | \$ 969,335.15 |

\* (The disparity between Bureau of Delinquent Revenue Collections and Business Tax Collections should be explained





in order to avoid a misleading conclusion. During this period, unsecured personal property tax collections were classified as Bureau of Delinquent Revenue Accounts because that operation was under the jurisdiction of the Bureau. One personal property tax judgment for Three Hundred Thirty Thousand One Hundred Fifteen Dollars and fifty cents (\$ 330,115.50) was satisfied during this period as well as several other unsecured tax judgments varying in amounts from \$50,000 down to \$10,000. At present, these tax cases are reported as Business Tax recoveries.)

The MBO objectives of the Legal Division for 1979-80 were to bring to trial 85% of the contested Superior and Municipal court actions pending and to commence litigation or recommend abandonment within sixty (60) days of all delinquent Business tax accounts resulting from auditing deficiencies or the taxpayer's failure to file a return. The second was substantially completed as no cases involving audit deficiencies have failed to be acted upon past the end of the quarter in which they were referred to the division. The first objective has been met in as much as 80% of the cases pending at the beginning of the period have either been reduced to judgment or dismissed. Actions were filed on all new cases referred during this period but recognition must be given that in certain cases in Superior Court the interval before trial can be as long as two years. In the coming year the second objective has been dropped and the Municipal and Superior Court cases defined as separate objectives.







ANNUAL REPORT OF THE TREASURER - TAX COLLECTOR

CITY AND COUNTY OF SAN FRANCISCO

AS OF JUNE 30, 1981

FOR

FISCAL YEAR 1980 - 81

DOCUMENTS DEPT.

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DIVISION 01 ADMINISTRATION

The goal is to provide centralized administrative services for the department and to provide support services to the programs and activities of the Treasurer - Tax Collector.

DIVISION 02 TREASURY

The Treasury Division consists of two programs. One is the Treasury Program which includes the Cashier, Bond and Coupon and Inheritance Services units. The second program is Investments.

Treasury Program. The goal is to account for receipts of all funds deposited by City departments, the redemption of Controller's warrants and the disbursement of funds for other legal obligations.

Cashier Section. The major functions of the Cashier Section include the receipt of all City and County moneys and checks either through direct bank deposits, lockbox operations or Treasurer Receiving Window; payment of all Controller warrants through our Clearing House bank and also through Cashier Windows; reconciliation of the above receipts and disbursements with total cash on a daily basis; daily and monthly reconciliation of Treasurer checking accounts; daily input and detailed reconciliation to FAMIS reports. All checks



received through the Treasurer's Receiving Window are microfilmed before deposit to the bank. Internal control is achieved by division of duties between receiving cashier, vault cashier, paying cashiers, reconciliation cashiers and clerks, and the accountants.

The primary objective of the Cashier unit was to "process and account for the receipt of collections, departmental deposits and disbursements made through the Cashier by the close of the same business day." The Cashier unit accomplished this objective during the fiscal year despite a major change in 1979-80 of Controller warrants from hard tabulating cards to soft encoded warrants. All payroll warrants and social services warrants are still issued as hard tabulating card warrants. This dual system creates a more complex daily reconciliation of disbursements with payments to our Clearing House bank.

The target of "disbursements made" of 2,240,000 was slightly higher than actual performance total of 2,125,786. This overstatement of target was due to inexperience with MBO estimation. For 1980-81, dollar amounts for total receipts was \$1,870,940,000 and total disbursements \$1,775,799,000 with a June 30, 1981, Cash Balance of \$712,855,000.

With the arrival of the NCR Remittance Processing System in November, 1980, the Cashier Section personnel became involved with the encoding of deposit checks for direct remittance to various banks during Fiscal Year 1980-81. This new process provides earlier investments of funds for higher interest earnings for the City.





Bond and Coupon Section. The Bond and Coupon Section receives, verifies and pays all matured bonds and coupons either locally or through Citibank as fiscal agent in New York City. The objective was "to complete the redemption of all bonds and coupons on date of maturity." With the limited staff of one Bond and Coupon Supervisor and one CETA Account Clerk, only persistent hard work can enable this unit to fulfill this objective and meet the target of number of bonds and coupons redeemed of 184,000 with actual performance of 162,113, the difference representing bonds or coupons not presented for payment. Other measures were essentially met: amounts of bonds and coupons redeemed - target \$47,892,030, performance, \$47,814,250.

Inheritance Services. The functions of this unit were (1) to determine interest payable and collect all inheritance tax payments on various estates and forward in a lump sum to State Treasurer three times a month, (2) examine and inventory all safe deposit boxes held in the County upon the death of a renter or person having right of access, (3) screen all applicants for consents to transfer assets of deceased persons and refer cases where a tax liability exists to the Inheritance Tax attorneys at the Office of the State Controller. A commission is earned based on amount of collections with declining rate basis and interest is also earned based on holding the collections for an average eight days.

During the first six months of 1980-81, the commission earned was \$66,331, which exceeded the commission earned in the previous year



by \$2,657, an increase of 4.17%. The interest earned was based on our total collections of \$22,737,841 generating a return of \$111,163. Interest earned figure was derived from daily investment average of 11% and held for an average of eight days.

A major change in State Inheritance Tax laws reducing the number of future tax payments and eliminating the County Treasurers' involvement in the Inheritance Tax Services became effective January 1, 1981.

Investment Program. The goal of the Investment Program is "to administer and control the investment of all moneys in the Treasurer's custody that are not required for payment of current obligations for the purpose of maximizing interest income while preserving the liquidity and safety of the principal," with the objective "to maintain all surplus funds in investments which exceed the Federal Fund Rate."

In 1980-81 the above goal and objective were met with outstanding success by the cash management and investment staff of three. For 1980-81 total interest earnings amounted to \$72,279,042 at an annual yield of 12.95% vs. \$61,204,516 and 11.28% for 1979-80. For pooled cash, the unapportioned interest earnings for 1980-81 were \$57,397,433 at an annual yield of 12.56% vs. \$43,735,103 and 12.15% for 1979-80. Higher interest rates and astute portfolio management produced results much higher than targeted. In 1981-82 targets have been revised upward to reflect the current interest rate conditions. The average



rate of return of 12.95% exceeded the average rate earned by the State Local Agency Investment Fund of 10.78%.

In 1975 the Treasurer's Office acquired the "Moneymax" system of computerized cash flow and investment program. This program, in addition to direct lines furnished by investment houses, has enabled our investment officer to increase our interest earnings and rate of return to our present record high levels as shown in the attached table (Portfolio Statistics). The institution of direct bank deposits in the early 1970's, where departments deposited their receipts directly with the local branch of Bank of America, accelerated the flow of cash into the Treasury. During the 1979-80 fiscal year, the position of Cash Manager was created based on the recommendation of the Mayor's Fiscal Advisory Committee. The Cash Manager's primary duty has been to see that all departments follow the Charter mandate that the Treasurer receive and receipt all funds which have been deposited with all City departments by the next business day. The Cash Manager is investigating non-compliance of departments and formulating procedures to avoid delays. The Mayor's Fiscal Advisory Committee also recommended a lock-box system of processing invoiced receipts directly mailed to a successful bidder bank. In October of 1979, Crocker Bank was the successful bidder; and a combined lock-box account was set up to process invoiced receipts of the Airport Commission, Port Commission, San Francisco General Hospital and Laguna Honda Hospital. At the same time, the Treasurer - Tax Collector parking meter operation was also established as a Wells



argo Bank lock-box system. In 1980-81, Municipal Court parking and traffic citation receipts were added to the lock-box program. Our investment officer can now invest by the next morning these receipts processed and directly deposited to our account.

The Investment Division of the Treasurer's Office has gained national recognition for its performance, and has served as a model for city, county and state treasurers throughout the country. We look forward with confidence and enthusiasm to the challenges of the new fiscal year.





# PORTFOLIO STATISTICS

## ALL FUNDS

|                             | <u>1976-77</u> | <u>1977-78</u> | <u>1978-79</u> | <u>1979-80</u> | <u>1980-81</u> |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Interest Received           | \$ 23,327,114  | \$ 23,297,207  | \$ 42,019,469  | \$ 61,223,716  | \$ 72,279,042  |
| Total Interest Earned       | 24,482,259     | 25,997,305     | 46,271,791     | 61,777,202     | 76,328,450     |
| Average Daily Balance       | 390,000,000    | 397,372,046    | 509,357,655    | 546,173,549    | 617,954,789    |
| Earned Interest Yield       | 6.27%          | 6.542%         | 9.084%         | 11.280%        | 12.95%         |
| Average Yield End of Period | N/A            | 7.588%         | 9.926%         | 11.155%        | 14.88%         |

## POOLED FUND

|                             |               |               |               |               |               |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Interest Received           | \$ 15,523,301 | \$ 17,158,587 | \$ 29,577,314 | \$ 43,754,303 | \$ 57,397,433 |
| Total Interest Earned       | 16,561,851    | 18,288,591    | 30,856,916    | 46,568,334    | 60,496,034    |
| Average Daily Balance       | 295,000,000   | 279,903,609   | 333,046,045   | 393,874,251   | 482,684,740   |
| Earned Interest Yield       | 5.83%         | 6.534%        | 9.265%        | 11.791%       | 12.56%        |
| Average Yield End of Period | N/A           | 7.619%        | 10.144%       | 11.619%       | 15.12%        |



## TAX COLLECTOR

### 1980-1981 ANNUAL REPORT

The responsibility of administering the receipt and deposit of all monies for taxes, licenses and other fees due the City and County is assigned by the Charter to the Office of the Tax Collector under the direction of the Treasurer. His, also, is the provision of delinquent collection services to other City Departments. To be effective this work requires coordination with other City and County officials and agencies, State authorities, the Board of Supervisors and other tax administrators and policy bodies.

The Tax Collector supervises seven operating divisions: Real Estate, License, Business Taxes, Investigations, Parking Meters, Cashier's and Delinquent Revenue which have the following basic goals:

1. To provide centralized administrative services for the department and support services to the divisional programs and activities.
2. To provide for the centralized collection of secured and unsecured property taxes for local government taxing agencies within the City and County of San Francisco.
3. To maintain a post audit program to determine the accuracy of taxpayer reports and to levy additional taxes if the audit indicates an underpayment.
4. To administer and collect the Business Tax, Payroll Expense Tax, Parking Tax, Utility Users Tax and Stadium Admission Tax.



5. To collect fees for licenses and permits which are required by Municipal Code, Part III; to collect the Transient Occupancy Tax and Dog License Fees; and to determine eligibility for preferential parking permits in selected residential areas and to collect fees for same.
6. To administer and account for the collection of Parking Meter Revenues.
7. To provide for the centralized collection of accounts delinquent in excess of 90 days for all City and County departments except those under the jurisdiction of the Public Service Enterprises and to provide for the resolution of all delinquent taxpayer accounts.

A more detailed description of the function of each division is to be found in the body of this report. It is accompanied by individual program goal statements which are directed towards the achievement of the timeliness and quality of service delivery necessitated by the schedule needs of the City's financial requirements.

#### ADMINISTRATION

The administration's second year of experience with Management by Objective was primarily positive. With a goal of providing centralized administrative services for the department and support services to the programs and activities of the Tax Collector's Office, four objectives were set:

- a) To complete at least three evaluation or work standard reports during Fiscal Year 1980-81.



- b) To maintain administration at no more than 7% of the total department budget.
- c) To ensure that at least 85% of the 1980-81 departmental objectives were met, and
- d) To develop and present one in-house training program per unit to improve staff efficiency and effectiveness.

All of these were met this year and it is our belief that with the additional year of experience that we will be able to repeat this performance in Fiscal 1981-82.

In late October of 1980, the Tax Collector's Office took delivery of an NCR 7750 Computer with three remittance processing units. The purpose of these pieces of equipment was to enable the office of the Tax Collector to more expeditiously process and post tax payments.

As a result, the taxpayer's check for secured and unsecured property taxes could be received one day, processed that night and earn additional interest revenue for the City and County the next morning. It is estimated that as a result of the use of this equipment the City made an additional \$127,000, in interest from the December Real Estate Collection alone. Currently only the secured and unsecured property taxes are processed on this equipment but additional tax programs will be added in the future.

The Tax Collector's Office has also initiated a new method for increasing the security of checks received from the taxpayer with the creation of a central mail handling unit. Under the supervision of the Cashier, this unit opens all mail received





from taxpayers. As the majority of checks received from taxpayers are accompanied by a tax bill, they can be appropriately sorted by this unit and processed immediately by the Cashier. There are, however, those checks which require processing by various bureaus of the Tax Collector's Office as well as checks which arrive without bills and which require a certain amount of research to determine the purpose for which they were sent. Photo copies of these checks are made and the copy sent to the appropriate processing unit while the actual check remains in the Cashier's area. When the bureaus have finished their work or the purpose of the check has been determined, then the copies with the appropriate processing documents are returned to the check control unit which files the copy and processes the check. This process not only provides for the continued security of remittances made to the Tax Collector but also provides a control to see that all remittances are handled.



## CASHIER'S DIVISION

The Cashier's Division is responsible for processing all payments of taxes, licenses and revenues received in the Tax Collector's Office and for depositing all the money collected with the Treasurer. A numeric identification system and microfilming of checks provide good internal control of payments.

The Division's objective was to process and account for the receipt of collections made through the Cashier by the close of the same business day with an annual target of 390,000 items. The actual number of items processed was 416,113 which exceeded the target by 25,113.

During the peak periods of the Real Estate and Unsecured Personal Property collections, we were able to deposit more promptly due to the use of two electronic remittance processors. The check control unit, established this year, contributed to faster deposit of checks and has been effective in maintaining check security.

The check control staff ranged from 4 at low periods to 20 at peak periods. The cashiering staff ranged from 8 at normal times to 15 at peak times. A combination of permanent and temporary employees worked a night shift during peak periods to process checks.

We are hopeful that we shall continue to be fully staffed to enable us to meet our daily objective.



UNIFORM SALES AND PURCHASE TAX

San Francisco Uniform Sales and Purchase Tax has been collected since July 1958, by the State of California as agent for the City and County, and the revenues minus collection costs are returned to the City and County. The amount credited to San Francisco for fiscal year 1980-81 was \$52,746,584.

Beginning in September 1972, one quarter of one percent was collected in taxes from the Uniform Sales and Purchase Tax and remitted to the San Francisco Bay Area Rapid Transit District. For Fiscal Year 1980-81, this amount was \$13,138,228.



COMPARISON OF COLLECTIONS BY THE CASHIER'S DIVISION:

| TYPE OF COLLECTION                       | 1980-81              |                                 | 1979-80              |                                 |
|------------------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|
|                                          | AMOUNT               | NUMBER<br>OF ITEMS<br>PROCESSED | AMOUNT               | NUMBER<br>OF ITEMS<br>PROCESSED |
| REAL ESTATE TAX                          | \$194,135,701        | 258,492                         | \$179,781,782        | 267,378                         |
| UNSECURED PERSONAL<br>PROPERTY TAX       | 22,016,177           | 34,345                          | 25,117,568           | 39,048                          |
| BUSINESS TAX                             | 10,270,236           | 3,024                           | 4,949,785            | 2,664                           |
| PAYROLL TAX                              | 61,660,183           | 13,694                          | 42,710,846           | 11,987                          |
| PARKING TAX                              | 8,220,950            | 1,189                           | 7,219,319            | 1,217                           |
| UTILITY TAX                              | 22,366,862           | 361                             | 17,665,930           | 435                             |
| STADIUM TAX                              | 241,186              | 7                               | 227,024              | 8                               |
| HOTEL TAX                                | 30,345,281           | 1,442                           | 23,640,836           | 1,381                           |
| LICENSES                                 | 4,230,783            | 96,164                          | 2,348,358            | 64,310                          |
| PARKING METER                            | 5,158,160            | 251                             | 3,048,372            | 253                             |
| RETAIL SALES AND<br>LOCAL TRANSPORTATION | 65,884,812           | 24                              | 60,160,582           | 25                              |
| TAX REDEMPTION                           | 4,435,581            | 4,124                           | 4,001,240            | 3,285                           |
| DELINQUENT REVENUE                       | 533,849              | 2,527                           | 946,723              | 3,657                           |
| OTHER                                    | 833,388              | 469                             | 967,491              | 419                             |
| TOTAL                                    | <u>\$430,333,149</u> | <u>416,113</u>                  | <u>\$372,785,856</u> | <u>396,067</u>                  |





## PROPERTY TAX DIVISION

### OVERVIEW

The Property Tax Division of the Tax Collector's Office is involved in a variety of activities associated with the specific taxes under its jurisdiction. These activities include providing information to the public, collecting payments on assessed property, recording and reconciling accounts to the tax rolls, reporting information to interested parties, and a host of miscellaneous functions.

### INFORMATION

This division responds to telephone and in-person inquiries regarding not only tax related issues (such as account status, dates paid and due, assessment amounts, mailing addresses, and ownership), but also to sundry questions requiring referral to other sections of City Hall as well as to other offices in San Francisco and Sacramento when the situation arises. To aid in this activity, the division provides access to microfiche viewers containing tax data and operates electronic printers and cathode ray tubes. Also upon request, research of the tax rolls is conducted to ascertain delinquent assessments and determine the City's interest in particular parcels. The Property Tax Division also distributes the annual tax bills to property owners or to their representatives, such as financial institutions, tax service agencies, and real estate brokers. The public relations activity of this division includes the liaison function performed to facilitate communication between related departments within City Hall and between the other divisions of the Tax Collector's Office.



## COLLECTION

The primary responsibility of this division is the collection of property taxes for the City and County of San Francisco and for special taxing districts e.g. the Bay Area Rapid Transit and the Bay Area Pollution Control District. These taxes include those levied on real estate and those assessed upon unsecured personal property. In addition, collections of special assessments is assigned to this division. These are in addition to current taxes and include refuse collection charges, water and sewer charges, sidewalk repair charges, and escaped assessments. Lastly, the collection of taxes established by the State Board of Equalization upon large utilities and public corporations is performed.

## RECORDATION AND RECONSIDERATION

In order to properly account for its collections, the Property Tax Division maintains accounting records. After tax payments are accepted, they are posted either manually or electronically. The manual system accounts for those collections that are unidentifiable, incorrect or supplemental, whereas acceptable payments are mechanically recorded for entry into the City's Computer system. Amounts are reconciled upon receipt of additional information, such as roll corrections through the Assessor's Office or additional payments from assessees. Similarly, overpayment of levies are reconciled by issuing refunds or transferring balances as necessary.



## REPORTS

In order to summerize collections, this division generates reports for internal and external purposes. Monthly reports are prepared for the Controller indicating the amount of taxes and penalties received. Performance reports are also compiled for upper management on a monthly basis. Quarterly performance assessment charts are created as part of the division's participation in the City's Management by Objective program, which indicates how the division is performing compared to projected target levels. External parties are also interested in obtaining summary information. For example, the Census Bureau requests tax collection data quarterly and the State of California periodically monitors county collections.

## MISCELLANEOUS

The Property Tax Division is involved in many subsidiary activities, e.g. processing liens and certificates required by the Senior Citizen Postponement Program, selling microfilmed Tax Information and payment history to title companies, recommending penalty waivers to the Finance Committee of the Board of Supervisors, establishing a library of selected magazines and articles related to property tax issues, etc.



## FINANCIAL DATA

The following tables show significant indicators for the fiscal year 1980-81 compared to those made available from the two preceding periods:

### SECURED PROPERTY

|                                        | <u>1980-81</u> | <u>1979-80</u> | <u>1978-79</u> |
|----------------------------------------|----------------|----------------|----------------|
| Tax Rate (Per \$100 of Assessed Value) | \$ 4.92        | \$ 4.97        | \$ 5.06        |
| Bills Issued                           | 150,878        | 150,503        | 154,505        |
| Collections                            | \$177,566,664  | \$178,558,098  | \$166,830,000  |
| Penalties                              | \$ 358,042     | \$ 288,466     | \$ 290,761     |
| Amount Delinquent                      | \$ 5,932,525   | \$ 3,651,111   | \$ 2,384,878   |
| Delinquency Rate                       | 2.88%          | 1.99%          | 1.41%          |

### UNSECURED PROPERTY

|                     |                   |                   |                   |
|---------------------|-------------------|-------------------|-------------------|
| Tax Rate            | \$ 4.97           | \$ 5.06           | \$ 11.70          |
| Bills Issued        | 31,694            | 37,871            | 38,424            |
| Collections         | \$20,708,669      | \$22,390,715      | \$44,053,504      |
| Prior Year Payments | \$ 871,610        | \$ 1,726,107      | \$ 904,665        |
| Prepayments         | <u>\$ 435,898</u> | <u>\$ 450,589</u> | <u>\$ 229,199</u> |
|                     | \$21,016,177      | \$24,567,411      | \$45,187,368      |

The difference in the collection totals of the Real Estate tax shown above and Cashier's total is \$16,210,995. Revenue collected from the supplemental roll, duplicates and overpayments, and deferred credits is not indicated above; but, is included in the Cashier's total. The Cashier's total reflects the revenue collected by this office; whereas, the Division total shows revenue credited to the various real property parcels. Once the aforementioned collection difference is credited to the various parcels, the total will be





reflected in the Division Collection.

#### TAX REDEMPTION BUREAU

The Tax Redemption Bureau has two employees and their duties are to compute and process payment of delinquent property taxes (delinquent as of July 1, 1981 for 1980-1981 property taxes and all prior years taxes). It has a close working relationship with the City Controller's Office, Assessor's Office and State Controller's Office in Sacramento. This office maintains complete IBM listings and accounting records of delinquent property taxes as to the original taxes, delinquent penalty, cost, State redemption fee, redemption penalty, and unpaid balances if the taxes are paid under the five year installment payment plan. Thus, this office handles a large volume of telephone calls and correspondence as to the interpretation of State tax law and code, current tax status, and computation of taxes and penalty, from the general public, title insurance companies, mortgage companies, savings and loan companies, and tax service institutions.

In addition, this office also prepares lists of real property sold to State and deeded to State, and arranges publication of this information along the delinquent Real Estate tax list in a local newspaper in compliance with the laws of the State of California.

1. As to the secured property taxes that became delinquent in years prior to June 30, 1981, \$4,840,642 were collected during 1980-1981. Please refer to schedule "A" for month by month breakdown and schedule "B" for year by year breakdown.
2. On June 30, 1981, 4400 parcels were sold to the State compared to 4,636 on June 30, 1980.
3. On July 10, 1981, 66 parcels were deeded to the State against 26 on July 11, 1980.



4. In 1980-1981, 3820 parcels were redeemed, compared to 2993 in 1979-1980.

SCHEDULE A

FULL REDEMPTION BY MONTH 1980-1981

COLLECTION BY MONTH

|              | <u>TAXES</u>     | <u>DELINQUENT<br/>PENALTIES</u> | <u>COST</u>   | <u>REDEMPTION<br/>FEE</u> | <u>REDEMPT.<br/>PENALTY</u> | <u>TOTAL</u>     |
|--------------|------------------|---------------------------------|---------------|---------------------------|-----------------------------|------------------|
| July, 1980   | 314,423          | 18,451                          | 1,575         | 2,127                     | 12,056                      | 348,632          |
| Aug., 1980   | 424,303          | 25,233                          | 1,479         | 2,036                     | 22,748                      | 475,799          |
| Sept. 1980   | 461,379          | 27,618                          | 2,463         | 3,501                     | 30,783                      | 525,744          |
| Oct., 1980   | 440,725          | 26,357                          | 1,782         | 2,395                     | 41,544                      | 512,803          |
| Nov., 1980   | 451,699          | 27,088                          | 2,022         | 2,377                     | 40,741                      | 523,927          |
| Dec., 1980   | 312,774          | 18,763                          | 1,344         | 1,696                     | 31,275                      | 365,852          |
| Jan., 1981   | 148,592          | 8,914                           | 513           | 639                       | 20,878                      | 179,536          |
| Feb., 1981   | 767,159          | 45,973                          | 699           | 729                       | 303,628                     | 1,118,188        |
| Mar., 1981   | 172,194          | 10,330                          | 535           | 570                       | 25,471                      | 209,100          |
| Apr., 1981   | 187,075          | 11,222                          | 757           | 674                       | 50,130                      | 249,858          |
| May, 1981    | 121,298          | 7,277                           | 486           | 569                       | 23,194                      | 152,824          |
| June, 1981   | 132,368          | 7,940                           | 636           | 674                       | 36,761                      | 178,379          |
| <b>TOTAL</b> | <b>3,933,989</b> | <b>235,166</b>                  | <b>14,291</b> | <b>17,987</b>             | <b>639,209</b>              | <b>4,840,642</b> |

SCHEDULE B

COLLECTIONS BY FISCAL YEAR

|              | <u>TAXES</u>     | <u>DELINQUENT<br/>PENALTIES</u> | <u>COST</u>   | <u>REDEMPTION<br/>FEE</u> | <u>REDEMPT.<br/>PENALTY</u> | <u>TOTAL</u>     |
|--------------|------------------|---------------------------------|---------------|---------------------------|-----------------------------|------------------|
| 1963-64      | 130              | 7                               | 3             | 2                         | 3,067                       | 3,209            |
| 1964-65      | 143              | 8                               | 3             | -                         | -                           | 154              |
| 1965-66      | 158              | 9                               | 3             | -                         | -                           | 170              |
| 1966-67      | 165              | 9                               | 3             | -                         | -                           | 177              |
| 1967-68      | 347              | 20                              | 3             | -                         | -                           | 370              |
| 1968-69      | 404              | 24                              | 3             | -                         | -                           | 431              |
| 1969-70      | 485              | 29                              | 3             | -                         | -                           | 517              |
| 1970-71      | 1,487            | 89                              | 12            | 6                         | 3,294                       | 4,888            |
| 1971-72      | 32,011           | 1,920                           | 27            | 12                        | 30,774                      | 64,744           |
| 1972-73      | 72,378           | 4,342                           | 54            | 18                        | 286,001                     | 362,793          |
| 1973-74      | 128,818          | 7,728                           | 60            | 20                        | 5,892                       | 142,518          |
| 1974-75      | 144,842          | 8,690                           | 120           | 40                        | 21,926                      | 175,618          |
| 1975-76      | 163,790          | 9,826                           | 219           | 91                        | 24,957                      | 198,883          |
| 1979-77      | 256,181          | 15,369                          | 321           | 117                       | 35,852                      | 307,840          |
| 1977-78      | 236,459          | 14,185                          | 809           | 443                       | 60,576                      | 312,472          |
| 1978-79      | 335,759          | 20,124                          | 2,054         | 2,466                     | 79,531                      | 440,034          |
| 1979-80      | 2,560,432        | 152,787                         | 10,594        | 14,772                    | 87,239                      | 2,825,824        |
| <b>TOTAL</b> | <b>3,933,989</b> | <b>235,166</b>                  | <b>14,291</b> | <b>17,987</b>             | <b>639,209</b>              | <b>4,840,642</b> |



The total reflects revenue collected for parcels fully redeemed during 1980-81. Revenue collection difference of \$405,061 between the above \$4,840,642 and the Cashier's total of \$4,435,581 is due to payments made in previous Fiscal Years under the five year installment payment plan.

#### BUSINESS TAXES DIVISION

Under the direction of the Chief Auditor, the Business Taxes Division is responsible for the administration of the Gross Receipts Tax, Payroll Expense Tax, Parking Tax, Utility Users Tax and Stadium Operator Admission Tax. In addition, this division is also responsible for the audit function of the Hotel Tax.

The duties of the division are twofold: The administration of the taxes and the audit function.

The administration of Business Taxes involves maintenance of taxpayers files, collection of taxes, taxpayers assistance and other related duties. Taxpayers files are continuously serviced to maintain the current status of each taxpayer. Currently, there are approximately 56,000 active taxpayer accounts registered under the Business/Payroll Tax. In addition, there are several hundred accounts under the other taxes.

Although the Business Taxes Division does not actually receive and deposit tax payments in cash or by checks, it must scrutinize each tax statement to ascertain the accuracy and propriety and provide for proper accounting of the tax receipts. Processing the 1980 Business/Payroll Tax statement was a monumental task. The underlying reason is the midyear tax rate increase and the taxpayers resistance to such increase.

The main function of the audit program is to promote taxpayer compliance with the tax ordinances and regulations. In carrying out this function, the audit staff produces a large amount of tax revenue for the City by uncovering tax deficiencies.



Due to the lack of sufficient staff, the 1980-81 audit program was reduced by 21% from the previous year. The fact that there are fewer audits completed in the year can also be attributed to the comprehensive audits of certain major business firms. However, the amount of tax recovery in 1980-81 is higher than any of the previous years.

The following tabulation will show the 1980-81 performance by the Business Taxes Division:

1. Tax Collections:

|                          | <u>1980-81<br/>Estimates</u> | <u>1980-81<br/>Collections</u> | <u>1979-80<br/>Collections</u> |
|--------------------------|------------------------------|--------------------------------|--------------------------------|
| (1) Business Payroll Tax | \$47,600,000                 | \$ 71,930,421                  | \$47,660,631                   |
| (2) Parking Tax          | 6,750,000                    | 8,329,983                      | 7,219,321                      |
| (3) Utility Tax          | 18,500,000                   | 23,223,294                     | 17,665,930                     |
| (4) Stadium Tax          | 160,000                      | 241,187                        | 227,024                        |
|                          | <u>\$73,010,000</u>          | <u>\$103,724,885</u>           | <u>\$72,772,906</u>            |

|                         |        |        |        |
|-------------------------|--------|--------|--------|
| 2. Accounts services    | N/A    | 55,926 | 55,194 |
| 3. Statements processed | 27,500 | 34,143 | 26,998 |

| 4. Audit results:                  | <u>1980-81<br/>MBO Targets</u> | <u>1980-81<br/>Performance</u> | <u>1979-80<br/>Performance</u> |
|------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| (1) Audit hours                    | N/A                            | 15,078                         | 19,175                         |
| (2) Audits completed               | 1,250                          | 1,079                          | 1,488                          |
| (3) Average hours per audit        | 14                             | 14                             | 12.9                           |
| (4) Total audit recovery           | \$1,050,000                    | \$2,756,925                    | \$2,392,597                    |
| (5) Tax recovery per audit         | 840                            | \$ 2,555                       | \$ 1,608                       |
| (6) Tax recovery per audit<br>hour | 60                             | \$ 183                         | \$ 125                         |

The collections as shown above and the Cashier's total differ (\$709,033). due to subsidiary journal entries for revenue collections by other City agencies for the utilities users tax and parking tax. Division revenue total is for revenue credited to various taxes; whereas, Cashier total reflects only monies collected by the Tax Collector's Office.

LICENSE DIVISION

Most Business Licenses in San Francisco are regulatory in nature and the fees are collected to defray the costs of inspections by the Departments of Public Works, Police, Fire and Public Health. The





License Bureau serves as a central collection agency for the collection of those fees required by Part III of the Municipal Code, the collection of the Transient Occupancy Tax and Dog License fees. It is also responsible for administering the Preferential Parking Program for the eleven areas presently included in the program. This includes the determination of eligibility for the Residential Parking Permits and the collection of the fees.

In fiscal 1980-81 the License Division collected \$34,576,067 an increase of \$8,586,873 over the preceding year. This increase is mainly attributable to an increase in the Hotel Transient Tax from 8% to 9-3/4% on July 1, 1980. Hotel Transient Tax increased by \$6,704,445, Food Preparation and Service increased by \$1,287,253 because we collected two years of Licenses in this fiscal year because of a delay on increasing rates by the Department of Public Health in the previous year.

|                      | 1980-81 |            | 1979-80 |            |
|----------------------|---------|------------|---------|------------|
|                      | NUMBER  | AMOUNTS    | NUMBER  | AMOUNTS    |
| General Business     | 25,939  | 1,921,095  | 24,956  | 1,622,611  |
| Vehicles             | 821     | 34,562     | 282     | 49,031     |
| Food Products        |         |            |         |            |
| and Marketing        | 1,837   | 307,156    | 1,819   | 227,022    |
| Micellaneous         | 4,741   | 25,876     | 4,901   | 27,099     |
| Dogs                 | 24,363  | 146,316    | 10,495  | 73,661     |
| Curb Painting        | 1       | 7          | 4       | 34         |
| Food Prep. & Service | 6,578   | 1,514,414  | 1,487   | 227,161    |
| Taxicab Transfers    | -0-     | -0-        | 1       | 1,000      |
| Surcharge            | -0-     | -0-        | 7       | 14         |
| Parking Permits      | 31,886  | 281,360    | 19,965  | 120,725    |
| Sub-Total            | 96,166  | 4,230,786  | 63,917  | 2,348,358  |
| Hotel Tax            | 1,436   | 30,345,281 | 1,381   | 23,640,836 |
| Grand Total          | 97,602  | 34,576,067 | 65,298  | 25,989,194 |

\*These figures represent the amounts actually collected in Fiscal Year 1980-81 by Licensing. The figures in the Cashier's report include all amounts collected for 1980-81 including sums collected in advance, dogs licenses and unsecured personal property.



The objectives set for the License Bureau were four in number:

(1) To maintain staff utilization at 96% for the Fiscal Year; (2) To provide the Investigators unit with a listing of all delinquent apartment license renewals by February 15th; (3) To deposit all delinquent occupancy tax within one day, and; (4) To decrease delinquent license by 3%. In Fiscal 1980-81 the first three objectives were achieved and exceeded. The fourth objective, delinquent licenses, were only reduced by 2% because many restaurants didn't pay their first renewal on time. Next Fiscal Year we will give the delinquent list to the Health Department earlier so that we can collect from delinquent restaurants earlier.

#### Hotel Transient Tax

The Hotel Transient Tax, even though a separate budget item, was still collected by the License Division during Fiscal Year 1980-81. There has been no great increase in the number of Hotels in San Francisco so the increase in fees collected this Fiscal Year must be mostly due to increased rates charged by Hotels, more rooms being used for transient use, and the rate was increased from 8% to 9-3/4% on July 1, 1980. For the Fiscal Year 1980-81 the increase in Transient Tax was \$6,704,445.

| <u>QUARTERS</u>         | <u>1980-81</u>      | <u>1979-80</u>      |
|-------------------------|---------------------|---------------------|
| July 1 - September 30   | \$ 6,535,946        | \$ 5,696,743        |
| October 1 - December 31 | 8,585,107           | 6,695,924           |
| January 1 - March 31    | 7,623,883           | 5,850,991           |
| April 1 - June 30       | 7,600,345           | 5,397,178           |
|                         | <u>\$30,345,281</u> | <u>\$23,640,836</u> |



## PARKING METER DIVISION

The goal of the Parking Meter Division is to administer and account for collections of the Parking Meter Revenue within the City and County of San Francisco. This means that the division is responsible for seeing that the revenue is collected sorted, counted and deposited. At the end of the 1980-81 Fiscal Year the City had 15,894 meters in operation although at one point it had had as many as 16,055 in operation. The reason for the variation in numbers is that San Francisco is a city in motion. Parking Meters are removed on orders from Traffic Engineering to allow for the demolition of old buildings and the construction of new ones, then they are installed or reinstalled at the completion of building or relocated to take advantage of San Francisco's changing traffic patterns. Consequently no two months of collections come from the exact same group of meters or meter changes.

When the conversion of the 100% increase in meter rates ordered by the Board of Supervisors in May of 1981 was completed in April of 1981 there were approximately 15,748 meters in operation in the following rate distribution.

|                     |          |        |
|---------------------|----------|--------|
| 2 hour limit at     | \$ .20   | 1,165  |
| 1 hour limit at     | .20      | 7,304  |
| 1 hour limit at     | 1.00     | 1,280  |
| 1 hour limit at     | .50      | 3,900  |
| 30 minute limit at  | .10      | 34     |
| 30 minute limit at  | .20      | 1,387  |
| 15 minute limit at  | .10      | 516    |
| 15 minute limit at  | .20      | 64     |
| 10 hour limit at    | .25/5Hr. | 98     |
| [Motorcycle Stalls) |          |        |
| Total               |          | 15,748 |



Distribution of these meters in on-street and off-street lots is as follows:

|                                                      |            |
|------------------------------------------------------|------------|
| Street Meters:                                       | 14,938     |
| Meters in 20 off-street<br>lots throughout the City: | <u>810</u> |
| Total                                                | 15,748     |

The actual meter collections during Fiscal 1980-81 were made by Brinks, Inc. In the fall of 1980 Brinks notified the City and County that they could no longer carry insurance to reimburse the City in the case of thefts by their employees. As a result the City rebid the contract in an attempt to maintain such insured coverage. None of the bidders was able to offer such insurance and Brinks retained the contract by virtue of the lowest bid. This contract and the contract with Wells Fargo for the sorting and counting of the collection was also continued after the Controller's certification that it would be more expensive for the City and County to perform these functions with civil service personnel.

After Brinks collects the money, the locked cannisters are delivered to Wells Fargo's vault where they are opened, sorted and counted. The cannisters are inspected for wear and damage, relocked and returned to Brinks the following day. The no value "coins", slugs and other items culled from the collection by the banks high speed coin counting machines are sent to the Tax Collector's Office. Wells Fargo then "deposits" the amount of the collection in the City and County's account with the Bank of America.





As a result of the rate increase, revenue increased by 69% during 1980-81. The revenue for Fiscal Year 1979-80 was \$3,048,372 as compared to \$5,158,160 for Fiscal Year 1980-81. Included in this amount is \$4,187 in restitution payments by those convicted in the Parking Meter Scandal and an \$11 miscellaneous credit. The collection for 1980-81 is broken down as follows:

|                 |                |
|-----------------|----------------|
| ZONE 1          | \$1,262,696    |
| ZONE 2          | 1,388,116      |
| ZONE 3          | 1,332,564      |
| ZONE 4          | 965,793        |
| DEPT. of ELEC.  | 19,241         |
| OFF-STREET LOTS | <u>185,563</u> |
| TOTAL           | \$5,153,973    |

The management objectives of the parking meter unit were to increase the amount of revenue generated by 63% during the fiscal year and to provide random surveillance of collection routes within all zones on a monthly basis. The first objective was met and exceeded. It was anticipated that as a result of the rate increase, an additional \$1,920,474 would be generated from that of Fiscal Year 1979-80. The total increase for 1980-81 was \$2,109,679, which resulted in a 69% increase. The second objective was to provide one hour of surveillance per zone on a monthly basis. Due to the loss of personnel in the Investigations Unit, the hours and number of zones surveyed fell short of the anticipated target.

Since the conversion of all the meters to the new rates was not completed until April, 1981, it is anticipated that Fiscal Year 1981-82 will bring in an additional \$941,949, an 18% increase. This would result in a total revenue of \$6,100,000 for Fiscal Year 1981-82.



## BUREAU OF DELINQUENT REVENUE

The Bureau, established in 1935, is the official collection agency of delinquent account receivables for all departments and offices of the City and County except municipally owned utilities under the jurisdiction of the Public Utilities Commission. The Bureau is also responsible for collecting Unsecured Personal Property Taxes and Business/Payroll Expense Taxes on businesses being sold or going through bankruptcy.

Excluding taxes, a total of 2,281 delinquent accounts were transferred to the Bureau of Delinquent Revenue by various City and County departments during Fiscal Year 1980-81.

Modification of priorities and collection procedures of previous years proved highly successful during Fiscal Year 1979-80. Because of staff reduction, collection of delinquent accounts decreased sharply. The increase in caseload per collector caused decreased rate of return. As such, the Bureau was unable to weigh the full potential of its procedural changes.

Keeping in line with departmental tax enforcement policies, the Bureau updated its priority to the collection of taxes. For the current Fiscal Year, the Bureau collected \$396,777, in taxes as compared to \$274,441, during the prior year.

Due to mandatory salary savings the Bureau lost an assistant supervisor and a senior collection clerk at the beginning of the Fiscal Year. During the year, an additional two clerks were lost through attrition. In January 1, 1982, three collection clerk positions will be eliminated by budget cuts and services of a collection agency will be started. The Bureau will be staffed with the remaining positions of one supervisor and two clerks.



| <u>Collections</u>             | 1979-80          | 1980-81          |
|--------------------------------|------------------|------------------|
| Dept. of Public Health         |                  |                  |
| No. of Payments                | 2,197            | 1,556            |
| Amount Collected               | \$852,861        | \$458,594        |
| Dept of Public Works           |                  |                  |
| No. of Payments                | 54               | 30               |
| Amount Collected               | 5,027            | 1,350            |
| All Other Departments          |                  |                  |
| No. of Payments                | 1,399            | 934              |
| Amount Collected               | <u>88,835</u>    | <u>73,905</u>    |
| Total Collections -            |                  |                  |
| Delinq. City Accounts          | <u>\$946,723</u> | <u>\$533,849</u> |
| <u>Other Data:</u>             |                  |                  |
| Total No. of Outstanding Accts | 4,331            | 4,475            |
| Total No. of Full Abandonments | 1,778            | 1,429            |
| Total No. of Accts. Collected  |                  |                  |
| In Full                        | 1,008            | 631              |

#### INVESTIGATION DIVISION

The Investigation Division conducts field investigations essential to assure compliance with the requirements of the tax codes and ordinances governing the Tax Collector's Office. These investigations are made by the investigators for the other departments in the tax office. Among other duties, investigators are required to survey large office buildings and construction sites to make certain that all businesses are registered for the business tax. They assist the Legal Division in preparing court cases by



compiling reports and serving various kinds of legal documents. The Investigation Division prepares documentation and sues in Small Claims Court on all Business Tax Cases totaling \$750 and less.

Investigators closed 5,578 fewer cases than they did last year and there are several reasons for this. There was a lack of clerical personnel to mail notices on the small bills, and there were fewer calls made by the field people. There was an unusually high rate of absenteeism during the Fiscal Year. More than that, one of the field men was assigned to work in another department for four months. Two investigators resigned from their positions and those two jobs were vacant for approximately two months. Then, of course, the new people had to be trained. The investigators were required to spend much time surveying in the districts and this activity takes time away from making calls on delinquent accounts.

The foregoing explains, in part, the reason that approximately \$1,444,000 less was collected than during the previous year. In addition, the loss of the inventory tax reduced the income from unsecured property taxes by about twenty-five percent.

The division is responsible for resolving all delinquent accounts transferred to it. Accounts are assigned to the field personnel by priority. Accounts over \$1,000 get first priority. Those between \$750 and \$1,000 are second. Those accounts between \$500 and \$750 are third in importance and those under \$500 are collected by using the mails and telephone.





Supervisory personnel monitors at least 2% of all field calls made by the investigators. These people also do the field surveillance of the parking meter collections.

The Investigation Division has four main objectives:

1. To make follow-up contact on all accounts over \$500 within one year of receipt in the department.
2. To notify by mail all taxpayers with delinquent accounts of less than \$500.00.
3. To have 2% of all field investigations reviewed by supervisory personnel through taxpayer contact.
4. To increase by 2% the number of field calls on delinquent accounts.

Most of these listed objectives were met, and some were exceeded substantially. For the Fiscal Year 1981-82, the Investigation Division intends to make follow-up contact on all accounts over \$300 within one year after they are received. All taxpayers with delinquent accounts of less than \$300 will be notified by mail. These will be the two primary changes in the objectives the Investigation Division hopes to meet in the new Fiscal Year.



|                                                         | <u>1980-81</u> | <u>1979-80</u> |
|---------------------------------------------------------|----------------|----------------|
| Cases filed and instituted                              |                |                |
| Small Claims Court                                      | 99             | 147            |
| Municipal/Superior Courts                               | 40             | 60             |
| Number of accounts open at<br>the beginning of the year | 17,993         | 18,240         |
| Number of accounts received<br>during the year          | <u>11,240</u>  | <u>12,136</u>  |
| Subtotal                                                | 29,233         | 30,376         |
| Number of accounts closed<br>during the year            | <u>6,805</u>   | <u>12,383</u>  |
| Number of accounts on hand<br>at the end of the year    | <u>22,420</u>  | <u>17,993</u>  |
| Certificates on file                                    | 1,500          | 1,383          |
| Cases submitted for suit                                | 139            | 2,130          |
| Cases recommended for<br>abandonment                    | 205            | 339            |
| Calls made during the<br>Fiscal Year                    | 14,367         | 16,978         |
| Collections made during<br>the Fiscal Year              | \$3,075,038    | \$4,519,034    |

#### LEGAL DIVISION

Legal Division's principal mission remains the enforcement of monetary obligations in favor of the Tax Collector by means of the civil litigation process. For the Legal Division, civil litigation means three basic activities: filing new lawsuits on recently transferred delinquent accounts and processing those suits to default judgement; collecting on judgements previously issued; and litigating in court those contested cases where the



defendant demands a court trial. In addition to this principal activity, Legal Division has its own administrative reporting responsibilities and has assisted the Tax Collector in several projects during the year.

During this past reporting period, the Division had to replace one (1) Class 1458 Legal Stenographer because of the retirement of the incumbent at the beginning of the Fiscal Year. A new Legal Stenographer started working in the Division in January of 1981 and has resigned effective the end of August 1981. The Division also assisted the Tax Collector and his Deputy by providing Legal Memoranda on the problem of Escaped Assessments which the County Assessor has levied against decedent estates; and assisted in drafting written replies to several investigations of the Tax Collector Department by individual Board of Supervisors members.

During this period, the Division's operational effort was directed at litigating long-standing contested cases and collecting judgements already rendered. The Attorney has obtained court judgement on the last two (2) contested Social Service overpayment cases in the Division Inventory. No more of these cases will be transferred to the Tax Collector's Office because Department of Social Services Attorneys are now processing those cases exclusively. Several important Business and Payroll Tax cases were brought to trial during this period, and the largest tax deficiency in the history of the Division was filed in June of 1981.



The newly employed Legal Stenographer assisted the Attorney in post judgement collection activity. She, and the remaining Legal Stenographer, screened every judgement in the Division inventory to determine if the judgement debtor was either residing in or doing business in San Francisco. Those cases where the debtor was either a San Francisco resident or business person were referred to Investigation Division for further research. As a result of this activity, the number of abstracts satisfied during the last quarter of the year has risen. This increase can be expected to continue through the first and second quarters of the next Fiscal Year. However, the Attorney's litigation schedule, the post judgement collection efforts, and the necessity for increased administrative services by the Division, had a cumulative effect on the decrease in the number of new complaints filed, especially in the last two quarters of the year.

The statistical summary of revenue collected and cases processed are as follows:

STATISTICAL REPORT (Legal Division for Fiscal Year 1980-1981)

BUREAU OF DELINQUENT REVENUE COLLECTION

|                                                    |              |
|----------------------------------------------------|--------------|
| Number of Complaints Filed .....                   | 2            |
| Number of Abstracts of Judgement<br>Recorded ..... | 5            |
| Dollar Recovery .....                              | \$147,276.00 |

BUSINESS TAXES

|                                                    |              |
|----------------------------------------------------|--------------|
| Number of Complaints Filed .....                   | 26           |
| Number of Abstracts of Judgement<br>Recorded ..... | 27           |
| Dollar Recovery .....                              | \$528,865.00 |





LEGAL DIVISION TOTALS

Total New Complaints ..... 28

Total New Abstracts ..... 32

Total Dollar Recovery ..... \$676,141.00







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1981-82

ANNUAL REPORT OF THE TREASURER - TAX COLLECTOR

CITY AND COUNTY OF SAN FRANCISCO

AS OF JUNE 30, 1982

FOR

FISCAL YEAR 1981 - 82

DOCUMENTS DEPT.

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DIVISION 01 ADMINISTRATION

The goal is to provide centralized administrative services for the department and to provide support services to the programs and activities of the Treasurer - Tax Collector.

DIVISION 02 TREASURY

The Treasury Division consists of two programs. One is the Treasury Program which includes the Cashier and Bond and Coupon units. The second program is Investments.

Treasury Program. The goal is to account for receipts of all funds deposited by City departments, the redemption of Controller's warrants and the disbursement of funds for other legal obligations.

Cashier Section. The major functions of the Cashier Section include the receipt of all City and County moneys and checks either through direct bank deposits, lockbox operations or Treasurer Receiving Window; payment of all Controller warrants through our Clearing House bank and also through Cashier Windows; reconciliation of the above receipts and disbursements with total cash on



a daily basis; daily and monthly reconciliation of Treasurer checking accounts; daily input and detailed reconciliation to FAMIS reports. All checks received through the Treasurer's Receiving Window are microfilmed before deposit to the bank. Internal control is achieved by division of duties between receiving cashier, vault cashier, paying cashiers, reconciliation cashiers and clerks, and the accountants.

The primary objective of the Cashier unit was to "process and account for the receipt of collections, departmental deposits and disbursements made through the Cashier by the close of the same business day." The Cashier unit accomplished this objective during the fiscal year despite a major change in 1979-80 of Controller warrants from hard tabulating cards to soft encoded warrants. All payroll warrants and social services warrants are still issued as hard tabulating card warrants. This dual system creates a more complex daily reconciliation of disbursements with payments to our Clearing House bank.

The target of "number of warrants disbursed" of 2,240,000 was higher than actual performance total of 1,907,404. This overstatement of target was due to inexperience with MBO estimation. For 1981-82, dollar amounts for total receipts was \$1,796,647,000 and total disbursements of \$1,714,538,000 with a June 30, 1982, Cash Balance of \$794,961,000.

Since the arrival of the NCR Remittance Processing System in





November, 1980, the Cashier Section personnel have become involved with the encoding of deposit checks for direct remittance to various banks. This process provides earlier investments of funds for higher interest earnings for the City.

Bond and Coupon Section. The Bond and Coupon Section receives, verifies and pays all matured bonds and coupons either locally or through Citibank as fiscal agent in New York City. The objective was "to complete the redemption of all bonds and coupons on date of maturity." With the limited staff of one Bond and Coupon Supervisor and one Clerk, only persistent hard work enabled this unit to fulfill this objective. The target of number of bonds and coupons redeemed of 184,000 was higher than actual performance of 140,199, and the amounts of bonds and coupons redeemed - target, \$47,892,030; performance, \$44,882,502. The differences were due to inexperience in MBO estimation. All bonds and coupons presented were promptly paid.

Investment Program. The goal of the Investment Program is "to administer and control the investment of all moneys in the Treasurer's custody that are not required for payment of current obligations for the purpose of maximizing interest income while preserving the liquidity and safety of the principal," with the objective "to maintain all surplus funds in investments which exceed the Federal Fund Rate."

In 1981-82, the above goal and objective were met with outstanding success by the cash management and investment staff of three.



For 1981-82 total interest received amounted to \$104,913,283 at an annual yield of 14.479% versus \$72,279,042 and 12.950% for 1980-81. For pooled cash, the unapportioned interest earnings for 1981-82 were \$85,566,710 at an annual yield of 14.581% versus \$57,397,433 and 12.560% for 1980-81. Higher interest rates and astute portfolio management produced results much higher than targeted. In 1982-83, targets have been revised downward to reflect the current unsettled interest rate conditions. The average rate of return of 14.479% exceeded the average rate earned by the State Local Agency Investment Fund of 12.073%.

In 1975, the Treasurer's Office acquired the "Moneymax" system of computerized cash flow and investment program. This program, in addition to "Telerate" market information service and direct lines furnished by investment houses, has enabled our investment officer to increase our interest earnings and rate of return to our present record high levels as shown in the attached table (Portfolio Statistics). The institution of direct bank deposits in the early 1970's, where departments deposited their receipts directly with the local branch of Bank of America, accelerated the flow of cash into the Treasury. During the 1979-80 fiscal year, the position of Cash Manager was created based on the recommendation of the Mayor's Fiscal Advisory Committee. The Cash Manager's primary duty has been to see that all departments follow the Charter mandate that the Treasurer receive and receipt all funds which have been deposited with all City departments by



the next business day. The Cash Manager is investigating non-compliance of departments and formulating procedures to avoid delays. The Mayor's Fiscal Advisory Committee also recommended a lockbox system of processing invoiced receipts directly mailed to a successful bidder bank. In October of 1979, Crocker Bank was the successful bidder; and a combined lockbox account was set up to process invoiced receipts of the Airport Commission, Port Commission, San Francisco General Hospital and Laguna Honda Hospital. At the same time, the Treasurer - Tax Collector parking meter operation was also established as a Wells Fargo Bank lockbox system. In 1980-81, Municipal Court parking and traffic citation receipts were added to the lockbox program. Our investment officer can now invest by the next morning these receipts processed and directly deposited to our account.

The Investment Division of the Treasurer's Office has gained national recognition for its performance, and has served as a model for city, county and state treasurers throughout the country. We look forward with confidence and enthusiasm to the challenges of the new fiscal year.



PORTFOLIO STATISTICS

ALL FUNDS

|                             | <u>1977-78</u> | <u>1978-79</u> | <u>1979-80</u> | <u>1980-81</u> | <u>1981-82</u> |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Interest Received           | \$ 23,297,207  | \$ 42,019,469  | \$ 61,223,716  | \$ 72,279,042  | \$104,913,283  |
| Total Interest Earned       | 25,997,305     | 46,271,791     | 61,777,202     | 76,328,450     | 103,837,361    |
| Average Daily Balance       | 397,372,046    | 509,357,655    | 546,173,549    | 617,954,789    | 715,229,031    |
| Earned Interest Yield       | 6.542%         | 9.084%         | 11.280%        | 12.95%         | 14.479%        |
| Average Yield End of Period | 7.588%         | 9.926%         | 11.155%        | 14.88%         | 12.170%        |

POOLED FUND

|                             |               |               |               |               |               |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Interest Received           | \$ 17,158,587 | \$ 29,577,314 | \$ 43,754,303 | \$ 57,397,433 | \$ 85,566,711 |
| Total Interest Earned       | 18,288,591    | 30,856,916    | 46,568,334    | 60,496,034    | 85,466,499    |
| Average Daily Balance       | 279,903,609   | 333,046,045   | 393,874,251   | 482,684,740   | 584,214,547   |
| Earned Interest Yield       | 6.534%        | 9.265%        | 11.791%       | 12.56%        | 14.581%       |
| Average Yield End of Period | 7.619%        | 10.144%       | 11.619%       | 15.12%        | 12.073%       |





## TAX COLLECTOR

### 1981-1982 ANNUAL REPORT

The office of the Tax Collector administers the receipt and deposit of all monies for taxes, licenses and other fees due the City and County under the direction of the Treasurer as assigned and specified by the Charter. The office also provides the collection of delinquent accounts to other City departments. To be effective this work requires coordination with other agencies and officials of the City and County, the State and the Board of Supervisors as well as other tax administrators and policy bodies.

The Tax Collector supervises seven operating divisions: Real Estate, License, Business Tax, Investigations, Parking Meters, Cashier's and Delinquent Revenue which have the following basic goals:

1. To provide centralized administrative services for the department and support services to the divisional programs activities.
2. To provide for the centralized collection of secured and unsecured property taxes for local government taxing agencies within the City and County of San Francisco.
3. To maintain a post audit program to determine the accuracy of taxpayer reports and to levy additional taxes if the audit indicates an underpayment.
4. To administer and collect the Business Tax,



Payroll Expense Tax, Parking Tax, Utility Users Tax and Stadium Admission Tax.

5. To collect fees for licenses and permits which are required by Municipal Code, Part III; to collect the Transient Occupancy Tax and Dog License Fees; and to determine eligibility for preferential parking permits in selected residential areas and to collect fees for same.
6. To administer and account for the collection of Parking Meter Revenues.
7. To provide for the centralized collection of accounts delinquent in excess of 90 days for all City and County departments except those under the jurisdiction of the Public Service Enterprises and to provide for the resolution of all delinquent taxpayer accounts.

A more detailed description of the function of each division is to be found in the body of this report. It is accompanied by individual program goal statements which are directed towards the achievement of the timeliness and quality of service delivery necessitated by the schedule needs of the City's financial requirements.

#### HIGHLIGHTS

In addition to achieving the great majority of our program objectives, every division had certain special accomplishments that highlighted the year. The Cashier's Division completed the spring real estate collection in two



days rather than the four days which it took last year. Only a few years ago, it took as many as fifteen days. This additional efficiency not only saves the city money; it makes the city money through additional interest earned when invested promptly.

The Property Tax Division with an almost entirely new staff managed to reconstitute itself and meet objectives that had been set for a staff fully trained and experienced. In addition, it managed to initiate systems innovations that will have long range effects upon its effectiveness and efficiency, as well as meeting the needs of the taxpayer by providing more relevant information in a shorter period of time and allow the division to process refunds faster.

The Tax Redemption Bureau collected an additional \$ 866,250 in delinquent real Property Taxes, penalties and interest. This, too, was done with new staff. The total collected for properties fully redeemed in fiscal year 1981-82 was \$ 5,706,892 as against \$ 4,840,642 in fiscal 1980-81.

The Business Tax Division had another outstanding year. Their regular collections of \$ 163,173,312 exceeded those of any previous year as well as the revenue forecast in the budget. And just as the regular collections set a record high, the audit deficiency billings did likewise. These hit \$ 2,985,893 for the fiscal year.

Two items made the year for the License Bureau. For the first, it achieved a full 5% reduction in delinquent licenses.



This exceeded the bureau's program objective of 3%. For the second, the bureau with the help of the summer youth program managed to get the dog license renewals out with no more than a two day backlog at any point. .

The Parking Meter Division managed a twenty percent increase of revenue over the previous year. This was accomplished in a year of a falling economy and a 10% decline in tourism. In addition, the division initiated a new security program of inspections and inventories on a random basis that has radically decreased the possibilities of internal losses. The division also secured the change of 3200 parking meter locks that had become unsecure.

The Bureau of Delinquent Revenue reset its monetary objective at mid year to \$ 710,000 from an original \$ 533,849. It exceeded the reset objective, by \$ 118,846 for a year's total of \$ 828,846. This met and exceeded its objective for a year in which it looked likely that budget considerations would mean the loss of most of its personnel.

The Investigations Unit marked the year by initiating a summary judgement program. This program will enable it to collect delinquent taxes from those who have bank accounts that can be levied after a judgement is made in court. It also proposed a clearing house program to collect Business and Payroll Taxes from all vendors and contractors doing business with or seeking permits from the City and County. The legislation for this program has been written and sub-





mitted to the Board of Supervisors.

The Legal Division won judgement in a single case that brought in over \$ 800,000 in delinquent Payroll Taxes. This, plus other collections, brought in over one million one hundred thousand dollars and represented a banner year for this division.

#### ADMINISTRATION

The third year of the administration's experience with Management by Objective remained positive. With a continued goal of providing centralized administrative services for the department and support services to the programs and activities of the Tax Collector's office, four objectives were set.

- a) To complete at least three evaluation or work standard reports during Fiscal Year 1980-1981.
- b) To maintain administration at no more than 7% of the total department budget.
- c) To ensure that at least 85% of the 1980-1981 department objectives were met, and
- d) To develop and present one in-house training program per unit to improve staff efficiency and effectiveness.

The administration repeated its performance of 1980-1981 by meeting all four objectives. The percentage of achievement of objective number three reached 90%. As a result of this year's achievement, many of the department objectives



have been reset at a higher level. Yet we believe that we shall continue to meet our program performance objectives.

In September of 1981, we ordered new microfilmers to add to our NCR remittance processing units. Although the odds were much against it, they arrived. They were installed and programed for our use in the 1981 winter property tax collection. This reduced by one step the lengthy processing necessary of taxpayer payments and increased security and efficiency at the same time.

In the spring the first planning steps were taken to add the preferential parking program and the license payments to the secured and unsecured property programs that are computer processed for efficiency. These should be completed in the fall of 1982. This will allow us to handle a greater volume of work without having to increase staff; consequently providing increasing cost savings to the taxpayer.

#### CASHIER'S DIVISION

The Cashier's Division processes all payments of taxes, licenses and other revenues received in the Tax Collector's office and deposits all the money collected with the Treasurer. It maintains internal control of payments by a numeric identification system and the microfilming of all checks.

The Division met its MBO objective of processing and accounting for the receipt of all collections made through the cashier by the close of the same business day. During



the course of the fiscal year, it processed each peak period collection faster than previously. To cap the year, the Division completed the April real estate collection in a record two days.

The collections for Fiscal Year 1981-1982 exceeded those of the previous year by \$ 57,080,558 and an additional 8,684 transactions. The Division collected a total of \$ 487,413,707 in 424,797 transactions.

#### UNIFORM SALES AND PURCHASE TAX

San Francisco Uniform Sales and Purchase Tax has been collected since July 1958, by the State of California as agent for the City and County, and the revenues minus collection costs are returned to the City and County. The amount credited to San Francisco for Fiscal Year 1981-82 was \$ 57,825,600.

Beginning in September 1972, one quarter of one percent was collected in taxes from the Uniform Sales and Purchase Tax and remitted to the San Francisco Bay Area Rapid Transit District. For Fiscal Year 1981-82, this amount was \$14,439,241.



COMPARISON OF COLLECTIONS BY THE CASHIER'S DIVISION:

|                                          | 1981-82                  |                                 | 1980-81                  |                                 |
|------------------------------------------|--------------------------|---------------------------------|--------------------------|---------------------------------|
| TYPE OF COLLECTION                       | AMOUNT                   | NUMBER<br>OF ITEMS<br>PROCESSED | AMOUNT                   | NUMBER<br>OF ITEMS<br>PROCESSED |
| Real Estate Tax                          | \$208,533,319            | 261,838                         | \$194,135,701            | 258,492                         |
| Unsecured Personal<br>Property Tax       | 24,555,482               | 33,934                          | 22,016,177               | 34,345                          |
| Business Tax                             | 11,509,140               | 3,363                           | 10,270,236               | 3,024                           |
| Payroll Tax                              | 77,798,020               | 15,112                          | 61,660,183               | 13,694                          |
| Parking Tax                              | 9,944,288                | 1,184                           | 8,220,950                | 1,189                           |
| Utility Tax                              | 28,358,831               | 489                             | 22,366,862               | 361                             |
| Stadium Tax                              | 380,923                  | 9                               | 241,186                  | 7                               |
| Hotel Tax                                | 35,182,112               | 1,502                           | 30,345,281               | 1,442                           |
| Licenses                                 | 4,341,894                | 100,170                         | 4,230,783                | 96,164                          |
| Parking Meter                            | 6,224,661                | 254                             | 5,158,160                | 251                             |
| Retail Sales and<br>Local Transportation | 72,264,841               | 48                              | 65,884,812               | 24                              |
| Tax Redemption                           | 5,874,932                | 4,418                           | 4,435,581                | 4,124                           |
| Delinquent Revenue                       | 828,845                  | 1,999                           | 533,849                  | 2,527                           |
| Other                                    | 1,616,419                | 477                             | 833,388                  | 469                             |
| <br>TOTAL                                | <br><u>\$487,413,707</u> | <br><u>424,797</u>              | <br><u>\$430,333,149</u> | <br><u>416,113</u>              |





## PROPERTY TAX DIVISION

### Overview

The Property Tax Division of the Tax Collector's office provides a variety of services associated with the specific taxes under its jurisdiction. Primarily it accounts for and reports the collection of real property and unsecured property taxes. It also provides tax information, processes claims for tax overpayments and performs a host of miscellaneous functions.

### Collection

The primary responsibility of this division is the collection and reporting of Property Taxes in excess of \$ 200 million per fiscal year. These taxes include those levied on real estate and those assessed against unsecured personal property. In addition, collection charges, water and sewer charges, sidewalk repair charges, and escaped assessments. Lastly, it collects taxes as established by the State Board of Equalization upon large utilities and public corporations.

### Recordation and Reconsideration

In order to properly account for its collections, the Property Tax Division maintains accounting records. After tax payment are accepted, they are posted either manually or electronically. The manual system accounts for those collections that are unidentifiable, incorrect, or supplemental, whereas acceptable payments are mechanically recorded for entry into the City's Computer system. Amounts are reconciled



upon receipt of additional information, such as roll corrections through the Assessor's office or additional payments from assesseees. Similarly, overpayment of levies are reconciled by issuing refunds or transferring balances as necessary.

### Reports

In order to summarize collections, this division generates reports for internal and external purposes. Monthly reports are prepared for the Controller indicating the amount of taxes and penalties received. Performance reports are compiled for upper management on a monthly basis. Quarterly performance assessment charts are created as part of the division's participation in the City's Management by Objective program, which indicates how the division is performing compared to projected target levels. External parties are also interested in obtaining summary information. For example, the Census Bureau requests tax collection data quarterly and the State of California periodically monitors county tax collections.

### Information

This division responds to telephone and in-person inquiries regarding not only tax related issues (such as account status, dates paid and due, assessment amounts, mailing addresses, and ownership,) but also to sundry questions requiring referral to other sections of City Hall as well as to other offices in San Francisco and Sacramento when the situation arises. To aid in this activity, the division provides access to microfiche viewers containing



tax data and operates electronic printers and cathode ray tubes. Also upon request, research of the tax rolls is conducted to ascertain delinquent assessments and determine the City's interest in particular parcels. The Property Tax Division also distributes the annual tax bills to property owners or to their representatives, such as financial institutions, tax service agencies, and real estate brokers. The public relations activity of this division includes the liaison function performed to facilitate communication between related departments within City Hall and between the other divisions of the Tax Collector's office.

#### Miscellaneous

The Property Tax Division also provides many subsidiary services, e.g. processing liens and certificates required by the Senior Citizen Postponement Program, selling micro-filmed Tax Information and payment history to title companies, and recommending penalty waivers to the County Assessor.



## Financial Highlights

The table below provides the significant statistical information as compared with the previous year.

### A) SECURED PROPERTY TAX

|                                      | %<br>Increase<br>(Decrease) | 1981-<br>1982        | 1980-<br>1981        |
|--------------------------------------|-----------------------------|----------------------|----------------------|
| Collections for the FY (Regular Tax) | 7.3%                        | \$206,958,654        | \$192,929,267        |
| Collections on Special Assessments   | 165.9%                      | 513,760              | 193,231              |
| Penalties and Costs                  | 19.4%                       | 428,009              | 358,486              |
| Total Taxes and Penalties            | 7.4%                        | 207,900,423          | 193,480,984          |
| Add: Duplicate Payments              | (2.2%)                      | 640,410              | 654,717              |
| Total Cash Collections               | <u>7.4%</u>                 | <u>\$208,540,833</u> | <u>\$194,135,701</u> |
| Delinquent Taxes                     |                             | \$ 7,858,452         | \$ 5,300,160         |
| % to Total Roll                      |                             | 3.6%                 | 2.67%                |

### B) UNSECURED PROPERTY TAX

|                    |             |                      |                      |
|--------------------|-------------|----------------------|----------------------|
| Prepayments        | 7.1%        | \$ 400,129           | \$ 430,572           |
| Current Taxes      | 12.0%       | 23,111,504           | 20,628,248           |
| Prior Year's Taxes | (39.9%)     | 510,640              | 850,019              |
| Total              | <u>9.6%</u> | <u>\$ 24,022,273</u> | <u>\$ 21,908,839</u> |

### C) OTHER STATISTICAL DATA

#### No. of Bills Issued

|                      |         |         |
|----------------------|---------|---------|
| 1) Secured           | 157,164 | 150,878 |
| 2) Unsecured         | 38,686  | 31,694  |
| Rate per \$100 Value | \$ 1.19 | \$ 4.97 |

(1981 based on Full Value and  
1980 and priors based on  
Assessed Value)





On January 1, 1982 the Legislature amended the Revenue and Taxation Code by adding Sec. 532.5. This Section provides that escaped assessments could be paid over an eight-year period without additional interest or penalty in those instances where the error causing the escaped assessment was not that of the assessee.

We are now in the process of designing a system to implement the above amendment and hope that it will be operational before September 1, 1982.

Due to increasing work volume on one hand and limited manpower resources on the other hand, the division instituted several changes which will allow it to operate more effectively and efficiently. These are:

1. Increased coordination efforts between personnel of the Real Estate Division, the Assessor's office, and the Controller's office. The latter offices provide the major input data relating to the tax bills and changes made thereto;
2. Computerized the processing of escaped assessment bills to provide better information as to the payment or non-payment of these bills. Escaped assessments are special levies determined by the Assessor's office based upon change of ownership which affect prior year's taxes;
3. Revised the Real Property and Unsecured Property tax forms to accommodate additional data and



provide better information to the taxpayer. We think that this will reduce the paper work necessary for answering inquiries from the taxpayer.

4. Revised the filing system to facilitate the retrieval of information. This was instituted to provide faster response time in obtaining information requested by the taxpayer.

With these changes effected, departmental staff members must continue to perform the basic functions. The faster they are able to process tax payments, and the sooner these payments are deposited, the greater the increase in the City's revenue from the additional interest earned. In addition, to reduce taxpayers complaints, we must process refund claims more quickly. For this reason, the division requested additional staff positions.

#### Program Objective Assessment

In fiscal year 1981-1982, the division met or exceeded most of its objectives with an almost entirely new staff. Due to economic reasons beyond the division's control, the delinquency rate for the secured property role exceeded 1.5% a reflection of the current recession. Likewise, unanticipated increases in printing and postage rates caused the division to exceed its budget. These two events caused a re-evaluation of next years program objectives which were re-written with the purpose of: first, producing more effective management of limited resources and; secondly, of placing the attainment of same within the control of



the division rather than outside events. They are six in numbers:

- 1) To post and reconcile all unsecured property payments received on or before August 31, within 45 days.
- 2) To provide a listing of delinquent Unsecured Property accounts as of August 31, to the Investigations and Collections Unit by September 25.
- 3) To complete mailing of all current year secured property tax or bills by November 1.
- 4) To mail 100% of the "non-penalty courtesy letters" within seven days of receipt from the cashier.
- 5) To process within 4 working days, all payments received on or before December 10 and April 10.
- 6) To post and reconcile all secured property tax payments received on or before 12-10 and 4-10 within 60 days.

In addition to the above state objectives, we intend to process 90% of the outstanding refund claims. This will be possible if the division's personnel situation remains stable.

#### TAX REDEMPTION BUREAU

The Tax Redemption Bureau computes and processes payments of delinquent property taxes. It maintains complete IBM listings and accounting records of delinquent property taxes as to the original taxes, delinquent penalty, cost, State redemption fee, redemption penalty, and unpaid balances



if the taxes are being paid under the five-year installment payment plan. Consequently, it handles a large volume of telephone calls and correspondence as to the interpretation of the Revenue and Taxation Code of the State of California, current tax status, and the computation of taxes and penalty from the general public, title insurance companies, mortgage companies, savings and loan companies, and tax service institutions. Its effective functioning demands a close working relationship with the City Controller's office, Assessor's office and State Controller's office in Sacramento.

The bureau also prepares lists of real property sold to the State and deeded to the State, and arranges for publication of this information in a local newspaper in compliance with the laws of the State of California.

1. As to the secured property taxes that became delinquent in years prior to June 30, 1982, \$ 5,706,892 were collected during 1981-82. Please refer to Schedule "A" for month by month breakdown and Schedule "B" for year by year breakdown.
2. On June 30, 1982, 5,340 parcels were sold to the State compared to 4,400 on June 30, 1981.
3. On July 9, 1982, 28 parcels were deeded to the State against 66 on July 10, 1981.
4. In 1981-1982, 4,077 parcels were redeemed, compared to 3,820 in 1980-1981.





# SCHEDULE A

## FULL REDEMPTION BY MONTH 1981-1982

### COLLECTION BY MONTH

|       |      | <u>TAXES</u> | <u>DELINQUENT<br/>PENALTIES</u> | <u>COST</u> | <u>REDEMPT.<br/>FEE</u> | <u>REDEMPT.<br/>PENALTY</u> | <u>TOTAL</u> |
|-------|------|--------------|---------------------------------|-------------|-------------------------|-----------------------------|--------------|
| July  | 1981 | \$ 468,945   | \$ 27,183                       | \$ 1,398    | \$ 1,853                | \$ 22,064                   | \$ 521,443   |
| Aug   | 1981 | 403,684      | 23,886                          | 1,206       | 1,763                   | 13,658                      | 444,197      |
| Sept. | 1981 | 447,953      | 25,778                          | 1,225       | 1,681                   | 27,608                      | 504,245      |
| Oct.  | 1981 | 653,724      | 38,378                          | 2,040       | 2,733                   | 65,892                      | 762,767      |
| Nov.  | 1981 | 562,126      | 32,501                          | 1,731       | 3,130                   | 56,232                      | 655,720      |
| Dec.  | 1981 | 624,602      | 36,934                          | 1,754       | 2,374                   | 78,936                      | 744,600      |
| Jan.  | 1982 | 468,459      | 27,904                          | 1,417       | 1,709                   | 48,050                      | 547,539      |
| Feb.  | 1982 | 236,285      | 13,798                          | 927         | 1,289                   | 26,326                      | 278,625      |
| Mar.  | 1982 | 268,185      | 12,406                          | 777         | 1,144                   | 28,195                      | 250,707      |
| Apr.  | 1982 | 220,594      | 13,111                          | 741         | 837                     | 42,834                      | 278,117      |
| May   | 1982 | 110,130      | 6,449                           | 378         | 446                     | 19,612                      | 137,015      |
| June  | 1982 | 379,116      | 22,292                          | 521         | 669                     | 179,319                     | 581,917      |
| TOTAL |      | \$4,783,803  | \$280,620                       | \$14,115    | \$19,628                | \$608,726                   | \$5,706,892  |

# SCHEDULE B

## COLLECTIONS BY FISCAL YEAR

|          | <u>TAXES</u> | <u>DELINQUENT<br/>PENALTIES</u> | <u>COST</u> | <u>REDEMPT.<br/>FEE</u> | <u>REDEMPT.<br/>PENALTY</u> | <u>TOTAL</u> |
|----------|--------------|---------------------------------|-------------|-------------------------|-----------------------------|--------------|
| 1970-71  | \$ 309       | \$ 19                           | \$ 3        | \$ 2                    | \$ 1,333                    | \$ 1,666     |
| 1971-72  | 735          | 44                              | 6           | 2                       | 410                         | 1,197        |
| 1972-73  | 3,324        | 199                             | 9           | 2                       | 8,507                       | 12,041       |
| 1973-74  | 11,269       | 676                             | 27          | 12                      | 18,561                      | 30,545       |
| 1974-75  | 104,560      | 6,273                           | 60          | 234                     | 171,196                     | 282,323      |
| 1975-76  | 126,569      | 7,579                           | 108         | 210                     | 17,024                      | 151,490      |
| 1976-77  | 122,372      | 7,062                           | 204         | 126                     | 59,022                      | 188,786      |
| 1977-78  | 220,696      | 12,986                          | 408         | 303                     | 69,688                      | 304,081      |
| 1978-79  | 177,189      | 10,593                          | 708         | 739                     | 52,023                      | 241,252      |
| 1979-80  | 538,712      | 32,152                          | 2,548       | 3,493                   | 85,269                      | 662,174      |
| 1980-81  | 3,470,984    | 202,612                         | 10,029      | 14,505                  | 125,693                     | 3,823,823    |
| *1981-82 | 7,084        | 425                             | 5           |                         |                             | 7,514        |
| TOTAL    | \$4,783,803  | \$280,620                       | \$14,115    | \$19,628                | \$608,726                   | \$5,706,892  |

\* To be adjusted by Controller's Office.



The total reflects revenue collected for parcels fully redeemed during 1981-82. Revenue collection difference of \$ 168,040 between the above \$ 5,706,892 and the Cashier's total of \$ 5,874,932 is due to payments made under the five year installment payment plan.

#### BUSINESS TAXES DIVISION

The Business Taxes Division administers the Business Tax, Payroll Expense Tax, Parking Tax, Utility Users Tax, Hotel Tax and Stadium Tax. The Business Tax is a tax on business receipts generated for business activities in San Francisco. The Payroll Expense Tax is on the payroll expenses of business firms incurred in the city. The Parking Tax is on the rents paid for occupying spaces in parking lots. The Utility Tax is on the charges for utility services such as gas, electricity, steam, water, and telephone. The Hotel Tax is on the rents paid by transients for occupying hotel rooms. The Stadium Tax is on the admission tickets sold by the stadium operators for athletic contests or other special events.

The administration of these taxes involves the maintenance of taxpayer's files, collection of taxes, taxpayer assistance and other related duties. In the 1981-1982 fiscal year, this division has processed over 32,000 tax statements and collected in excess of \$ 163,000,000 of taxes.

The audit program is an important function of the Business Taxes Division. The audit staff is responsible for the



enforcement of the tax ordinances and regulations. It is also the responsibility of the audit staff to promote taxpayer compliance and to recover tax revenues. In carrying out its duties, the staff performed 1,055 audits and recovered \$ 2,985,893 of tax revenue in the fiscal year.

The 1981-82 MBO objectives for the Business Tax administration were (1) to maintain the number of delinquent accounts transferred to Investigation, (2) to process 90% of the tax statements received by March 1, within 13 working days and (3) to send out Determination Statements before July 1, 1982. The first objective was reasonably met. However, the actual performance in the second objective is 25 days. The failure to meet this objective was due to the turnover of experienced personnel, the higher number of tax statements, the complexity of tax calculations, taxpayer resistance because of the economic conditions and the stronger internal control measures in the office. The third objective we believe, was also met because we had completely processed the work papers and entered the necessary data in the computers prior to June 30, 1982. Although, because of the lack of postage funds, the actual mailing of the statements was on July 15, 1982.

In the audit program, the MBO objectives were (1) to achieve a recovery rate of at least \$ 60 per audit hour based on billings and (2) to produce .07 audit per hour. In the performance, we successfully achieved the objectives.



The following tabulation will show the 1981-82 performance by the Business Taxes Division:

1. Tax Collections:

|                          | 1981-82<br>Estimates | 1981-82<br>Collections | 1980-81<br>Collections |
|--------------------------|----------------------|------------------------|------------------------|
| (1) Business/Payroll Tax | \$ 76,000,000        | \$ 89,367,158          | \$ 71,930,421          |
| (2) Parking Tax          | 8,200,000            | 9,944,290              | 8,329,983              |
| (3) Utility Tax          | 26,000,000           | 28,358,830             | 23,223,294             |
| (4) Hotel Tax            | 31,000,000           | 35,182,111             | 30,352,281             |
| (5) Stadium Tax          | 241,000              | 380,923                | 227,024                |

|  |               |               |               |
|--|---------------|---------------|---------------|
|  | \$121,441,000 | \$163,173,312 | \$134,063,003 |
|--|---------------|---------------|---------------|

|                         |        |        |        |
|-------------------------|--------|--------|--------|
| 2. Accounts serviced    | 57,000 | 58,367 | 55,926 |
| 3. Statements processed | 27,500 | 32,715 | 34,143 |

| 4. Audit results:               | 1981-82<br>MBO Targets | 1981-82<br>Performance | 1980-81<br>Performance |
|---------------------------------|------------------------|------------------------|------------------------|
| (1) Audit hours                 | 17,500                 | 13,027                 | 15,078                 |
| (2) Audits completed            | 1,250                  | 1,055                  | 1,079                  |
| (3) Average hours per audit     | 14                     | 12.3                   | 14                     |
| (4) Total audit recovery        | \$1,050,000            | \$2,985,893            | \$2,756,925            |
| (5) Tax recovery per audit      | \$ 840                 | \$ 2,830               | \$ 2,555               |
| (6) Tax recovery per audit hour | \$ 60                  | \$ 229                 | \$ 183                 |

LICENSE BUREAU

The License Bureau collects fees used to defray the cost of inspections by the Departments of Public Health and Public Works and the Police and Fire Departments as business licenses in San Francisco are primarily regulatory in nature. It also serves as a central collection agency for the receipt of those fees required by Part III of the Municipal Code as well as dog license fees. Further, it administers the residential parking program in the twelve areas currently established by the Board of Supervisors. This includes the





determination of eligibility, the collection of fees and the issuance of permits.

In fiscal 1981-1982, the License Bureau met or exceeded its program objectives which were:

- 1) to maintain a staff utilization percentage of 96%
- 2) to provide the Investigation Division with a listing of all delinquent apartment house licenses by February 15, and
- 3) to decrease the percentage of delinquent licenses by 3%.

The staff utilization percentage was exceeded by 20% and the 15th February deadline for providing the delinquent apartment house license list was met. After not quite meeting the 3% reduction goal in 1980-1981, the bureau achieved a full 5% reduction in delinquent licenses this year. In revenue collections, the bureau had a budgeted forecast of \$ 4,264,501. Its actual collections were \$ 4,341,896 or \$ 77,395 more than the forecast.

As a result of what the License Bureau perceives as a positive three years experience with management by objective, the bureau re-wrote its fiscal 1982-83 objectives to target areas where the offices overall effectiveness should be maintained or improved. The objectives for the coming year are:

- 1) to provide the Investigation Unit with a listing of all delinquent apartment house license renewals by February 15th.



- 2) to maintain the current rate of delinquent licenses.
- 3) to investigate all questionable stickers referred by the public or traffic control, cancelling those in illegal use.
- 4) to process 100% of license renewals/applications within 30 calendar days of the respective deadlines or expiration dates.
- 5) to file 100% of licenses or permits within 45 calendar days after respective deadlines or expiration dates.
- 6) to reconcile file changes and payments within twenty days of the end of the month.

In addition to the collection of \$ 77,385 above our revenue forecast, part of which came from the reduction in the delinquent licenses and part of which came from the sale of an additional 8445 residential parking permits, the License Division capped its years by participating in the Summer Youth program. The bureau provided beginning work experience to six high school youngsters who enabled the bureau to maintain a less than two day backlog in the issuance of dog license renewals. The result was a very positive experience for all.



|                            | 1981-82 |             | 1980-81 |              |
|----------------------------|---------|-------------|---------|--------------|
|                            | NUMBER  | AMOUNTS     | NUMBER  | AMOUNTS      |
| General Business           | 23,230  | \$1,773,006 | 25,939  | \$ 1,921,095 |
| Vehicles                   | 794     | 52,174      | 821     | 34,562       |
| Food Product-Marketing     | 1,793   | 299,490     | 1,837   | 307,156      |
| Miscellaneous              | 4,275   | 62,317      | 4,741   | 25,876       |
| Dogs                       | 22,356  | 133,785     | 24,363  | 146,316      |
| Food Preparation & Service | 5,499   | 1,407,883   | 6,578   | 1,514,414    |
| Parking Permits            | 40,331  | 344,096     | 31,886  | 281,360      |
| Fire Dept. Licenses        | 1,892   | 269,145     | (1)     | (1)          |
| Sub-Total                  | 100,170 | \$4,341,896 | 96,165  | \$ 4,230,779 |
| Hotel Tax                  | (2)     | (2)         | 1,436   | 30,345,281   |
| GRAND TOTAL                | 100,170 | \$4,341,896 | 97,601  | \$34,576,060 |

(1) Included in General Business in 1980/81 F.Y.

(2) Collected by Business and Payroll Tax since July 1, 1981.

#### PARKING METER DIVISION

The Parking Meter Division administers the collection, sorting, counting and depositing all parking meter revenues, except Port Authority parking meter revenues, within the City and County of San Francisco. In addition, the division compiles and analyzes the statistical information available from these collections for the purpose of minimizing the costs to the City and County of this activity while maximizing the revenue. As the result of the Division's analyses, Brinks Inc. collects the revenue from the Parking Meters under contract while Wells Fargo Bank



contracts for the sorting, counting and depositing of these funds. The savings add to the funds used by the Parking Authority to provide for additional off-street parking for San Franciscans and those from outside the city who patronize her shops and business.

Fiscal Year 1981-82 was the City and County's first full year of operating at the meter rates established by the Board of Supervisors in May of 1981. It is consequently a base for future statistical comparisons. While the actual number of meters in operations varies from one period to another due to construction, the re-routing of Muni lines and a variety of other causes, the City operated an average of 15,748 meters in the following rate distribution:

|                     |           |        |
|---------------------|-----------|--------|
| 2 hour limit at     | \$ .20    | 1,165  |
| 1 hour limit at     | .20       | 7,304  |
| 1 hour limit at     | 1.00      | 1,280  |
| 1 hour limit at     | .50       | 3,900  |
| 30 minute limit at  | .10       | 34     |
| 30 minute limit at  | .20       | 1,387  |
| 15 minute limit at  | .10       | 516    |
| 15 minute limit at  | .20       | 64     |
| 10 hour limit at    | .25/5 hr. | 98     |
| (Motorcycle Stalls) |           |        |
|                     | TOTAL     | 15,748 |

810 of these meters are in twenty off-street lots throughout the city while 14,938 are street meters.

The City and County continued their previous contracts with Brink Inc. for the collection parking meter monies and Wells Fargo Bank for the sorting, counting and depositing. The costs of the Wells contract exceeded the division's original estimates because collections and revenue continued





to rise during the year in contrast to both the economy and tourism. The average collection day rose from a low of \$22,916 in July of 1981 to a high of \$26,209 in June of 1982 for a fiscal year average of \$ 24,506. This represented a 20.7% increase in income from the previous year.

The Division exceeded its first program objective of increasing parking meter revenue by five percent. The second objective depended on the availability of personnel from the Investigation Unit and was not met for the first two quarters. For the last two quarters, the Investigation Unit exceeded the number of hours required. The Fiscal Year 1982-1983 program objectives have been changed. The first is to monitor the collection and counting contracts on a monthly basis to increase the cost effective ratio over income. The second is to provide random surveillance of collection routes within all zones on a monthly basis. The third is to conduct surprise quarterly inspections and inventories of all collection equipment.

#### STATISTICS

| <u>AREA</u>               | <u>1981-1982</u> | <u>1980-1981</u> |
|---------------------------|------------------|------------------|
| Zone 1                    | \$1,595,413      | \$1,262,696      |
| Zone 2                    | 1,425,915        | 1,383,648        |
| Zone 3                    | 1,556,627        | 1,332,563        |
| Zone 4                    | 1,368,907        | 965,793          |
| Department of Electricity | 9,451            | 19,241           |
| Off-Street Lots           | <u>265,908</u>   | <u>185,574</u>   |
|                           | \$6,224,661      | \$5,158,061      |



## BUREAU OF DELINQUENT REVENUE

Established in 1935, the Bureau serves as the official collection agency of delinquent account receivables for all departments and offices of the City and County except for the Port Authority, the Department of Social Services, and municipally owned utilities under the jurisdiction of the Public Utilities Commission. The Bureau also collects Personal Property Taxes and Business-Payroll Expense Taxes on businesses entering into escrow or bankruptcy.

The total number of delinquent accounts transferred by various departments increased by 15% to 2,626 accounts for fiscal year 1981-1982. Tax billing of escrow and bankruptcy accounts increased by approximately 25-30%.

Because of budgetary problems, the Bureau's staff was to be reduced to four positions effective 1-1-82. Although six of the eight eliminated positions were re-instated in January 1982, it cause a morale problem and a turnover of collection positions beginning in June of 1981. Six of the positions were vacated through retirement, resignation or transfer in anticipation of the staff reduction. The result was a loss of an experienced staff and a need for training of new collectors.

The implementation of a collection letter service to augment the staff for the expected increased workload did not materialize as planned. However, the Bureau obtained a work order for a legal assistant and a clerk typist to assist in the legal collection of Public Health accounts.



The legal program was implemented to insure Laguna Honda Hospital's financial interest in assets owned by patients with the ability to pay for care and maintenance rendered by the hospital. The program has had good results with the collection of \$ 169,812 in Laguna Honda Hospital accounts for the last four months of the fiscal year.

| <u>COLLECTIONS</u>          | <u>1980-81</u>      | <u>1981-82</u>      |
|-----------------------------|---------------------|---------------------|
| Department of Public Health | \$ 458,594          | \$ 736,947          |
| Pymt. Directly to SFGH      | 381,548             | 438,583             |
| Department of Public Works  | 1,350               | 15,591              |
| All Other Departments       | 73,905              | 76,306              |
| Taxes                       | <u>396,777</u>      | <u>498,113</u>      |
| Total Collection            | <u>\$ 1,312,174</u> | <u>\$ 1,765,540</u> |

Other Delinquent Accounts Data

|                                         |       |       |
|-----------------------------------------|-------|-------|
| Total No. of Outstanding accounts       | 4,475 | 5,338 |
| Total No. of Full Abandonments          | 1,429 | 1,582 |
| Total No. of Accounts collected in full | 631   | 526   |

The Bureau met and exceeded both its original MBO objective and an upwardly revised objective set at mid year. The original target of \$ 533,849 was reset to \$ 710,000. The Bureau achieved a collection of \$ 828,846. The collection objective for 1982-83 has been reset to \$ 850,000.



## INVESTIGATION DIVISION

The Investigation Division conducts field investigations essential to assure compliance with the requirements of the tax codes and ordinances governing the office of the Tax Collector. These investigations are made for the other departments in the Tax Office. For example, the Division surveys large office buildings and construction sites to ascertain that all businesses are registered for the business/payroll taxes. It assists the Legal Division in preparing court cases by compiling reports and serving necessary legal documents. The Division prepares documentation and sues in Small Claims Court on business tax cases of \$ 1,500 or less. However, the number of these suits will be reduced by the recent raising of the Business Tax exemption to \$ 2,500.

The Division accomplished all four of its program objectives. For its first objective, it contacted all delinquent accounts in excess of \$ 400 with one year of receipt. To meet this objective, the Division initiated a summary judgment program this year. While this program encountered problems -- at one point, the Division was limited in the number of judgments it could file each week because of personnel shortages in the County Clerk's office -- the Division met and corrected them to meet the objective.

To accomplish its second objective, the Division notified by mail eighty (80) percent of the taxpayers with delinquent accounts of \$ 400 or less. This required the use of temporary help with the mailing.





The third objective required two percent of all field investigations to be reviewed by taxpayer contact. To exceed this objective, the senior investigators spent additional time in field monitoring and made greater use of telephone contacts. The fourth objective required a two percent increase in the number of field calls on delinquent accounts. The Division made an eight percent increase in calls over the previous year but did not meet an inconsistently stated goal of 18,000 calls that was much in excess of the 2% objective. The Division intends to reach the 18,000 calls in coming fiscal year. Improvements will also be made in the summary judgment program. Field investigators will follow up the certified mail notifications returned by the Post Office. The Division will also check the records of the Cashier's office to locate the bank accounts of those against whom judgment is made. If payments are not made, the Division intends to levy the bank accounts.

|                                                         | <u>1981-82</u> | <u>1980-81</u> |
|---------------------------------------------------------|----------------|----------------|
| Cases filed and instituted                              |                |                |
| Small Claims Court                                      | 32             | 99             |
| Municipal/Superior Courts                               | 158            | 40             |
| Number of accounts open at the<br>beginning of the year | 22,420         | 17,993         |
| Number of accounts received<br>during the year          | <u>13,342</u>  | <u>11,240</u>  |
| Subtotal                                                | 35,762         | 29,233         |
| Number of accounts closed<br>during the year            | 7,635          | 6,805          |



|                                                      | <u>1981-82</u> | <u>1980-81</u> |
|------------------------------------------------------|----------------|----------------|
| Number of accounts on hand at<br>the end of the year | 28,127         | 22,420         |
| Certificates on file                                 | 1,494          | 1,500          |
| Cases submitted for suit                             | 190            | 139            |
| Cases recommended for<br>abandonment                 | 0              | 205            |
| Calls made during the<br>Fiscal Year                 | 16,563         | 14,367         |
| Collections made during the<br>Fiscal Year           | \$3,058,026    | \$2,075,038    |

#### LEGAL DIVISION

Legal Division's principal objective is the enforcement of monetary obligations in favor of the Tax Collector by means of the civil litigation process. Civil litigation encompasses three basic activities: (1) filing new lawsuits on recently transferred delinquent accounts and processing those suits to default judgment; (2) collecting on judgments previously rendered and (3) litigating in court those contested cases where the defendant demands a court trial. In addition to this principal activity, the Division has its own administrative reporting responsibilities and has assisted the Tax Collector in several projects during the year.

Several of these projects merit further elaboration: At the request of the License Division, the attorney has drafted legislation providing for the collection of delinquent apartment house license fees by imposing a tax lien on the property tax bill issued against the owner of the



property upon which the apartment building is located. In conjunction with several other City departments, City Attorney, Controller, Public Works, the attorney assisted the Tax Collector in submission of a comprehensive clearing house ordinance which, if enacted, would provide for identification and payment of all delinquent tax obligations where the tax debtor has either a contract with the City or a construction contract within the City.

During the latter part of the fiscal year, the Division recruited and oriented a Class 8173 Legal Assistant. Because the funds to employ this employee came from Department of Public Health, her duties and responsibilities are almost exclusively directed to the case inventory of the Bureau of Delinquent Revenue Collection. Litigation activity on those cases has increased substantially over the previous year.

As the statistical report indicates, Legal Division has reported the largest dollar recovery since annual reports were made: Over 1.1 million dollars in delinquent revenues were collected last year. A certain portion of this increase must be attributed to a single large case seeking over \$ 800,000 in delinquent payroll taxes. That case was litigated at the beginning of the fiscal year, resulting in a judgment in favor of the City at the end of the period. The increase in BDR litigation because of the services of the legal assistant also contributed to the record level in total collection. However, the full cumulative effect of the legal assistant should become more evident at the end of



the 1982-1983 fiscal year.

The statistical summary of revenue collected and cases processed are as follows:

STATISTICAL REPORT (Legal Division for Fiscal Year 1981-1982)

BUREAU OF DELINQUENT REVENUE COLLECTION

|                                          |            |
|------------------------------------------|------------|
| Number of Complaints Filed               | 25         |
| Number of Abstracts of Judgment Recorded | 4          |
| Dollar Recovery                          | \$ 312,514 |

BUSINESS TAXES

|                                          |            |
|------------------------------------------|------------|
| Number of Complaints Filed               | 55         |
| Number of Abstracts of Judgment Recorded | 19         |
| Dollar Recovery                          | \$ 829,683 |

Legal Division Totals

|                       |              |
|-----------------------|--------------|
| Total New Complaints  | 80           |
| Total New Abstracts   | 23           |
| Total Dollar Recovery | \$ 1,142,197 |









ANNUAL REPORT OF THE TREASURER - TAX COLLECTOR

CITY AND COUNTY OF SAN FRANCISCO

AS OF JUNE 30, 1983

FOR

FISCAL YEAR 1982 - 83

DOCUMENTS DEPT.

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DIVISION 01 ADMINISTRATION

The goal is to provide centralized administrative services for the department and to provide support services to the programs and activities of the Treasurer - Tax Collector.

DIVISION 02 TREASURY

The Treasury Division consists of two programs. One is the Treasury Program which includes the Cashier and Bond and Coupon units. The second program is Investments.

Treasury Program. The goal is to account for receipts of all funds deposited by City departments, the redemption of Controller's warrants and the disbursement of funds for other legal obligations.

Cashier Section. The major functions of the Cashier Section include the receipt of all City and County moneys and checks either through direct bank deposits, lockbox operations or Treasurer Receiving Window; payment of all Controller warrants through our Clearing House bank and also through Cashier Windows; reconciliation of the above receipts and disbursements with total cash on a daily basis; daily and monthly reconciliation of Treasurer checking accounts; daily input and detailed reconciliation



to FAMIS reports. All checks received through the Treasurer's Receiving Window are microfilmed before deposit to the bank. Internal control is achieved by division of duties between receiving cashier, vault cashier, paying cashiers, reconciliation cashiers and clerks, and the accountants.

The primary objective of the Cashier unit is to "process and account for the receipt of collections, departmental deposits and disbursements made through the Cashier by the close of the same business day." The Cashier unit accomplished this objective during the fiscal year despite a major change in 1979-80 of Controller warrants from hard tabulating cards to soft encoded warrants. All payroll warrants and social services warrants are still issued as hard tabulating card warrants. This dual system creates a more complex daily reconciliation of disbursements with payments to our Clearing House bank.

1,946,000 warrants were disbursed in 1982-83; approximately, 39,000 more than the prior year.

Total receipts amounted to \$2,072,312,000 while disbursements totaled \$1,942,456,000, resulting in a June 30, 1983, cash balance of \$924,817,000.

Since the arrival of the NCR Remittance Processing System in November, 1980, the Cashier Section personnel have become involved with the encoding of deposit checks for direct remittance to various banks. This process provides earlier investments of funds for higher interest earnings for the City. In September, 1982, the Cashier Section personnel expanded the usage of the NCR Remittance Processing System to include encoding all Controller Warrants redeemed by our cashiers and processing mutilated



warrants from our Clearing House bank to create a computer tape of encashed warrants. This encoding and tape creation process was previously done by Controller EDP personnel. This tape created in our office, together with the tapes provided by the Clearing House bank for Controller warrants redeemed through the bank, is entered into the Warrant Reconciliation System as our daily encashed warrants. As the warrant reconciliation process is revised to be more efficient, our personnel is ready and willing to adapt to the changes with the new problems and perform in a competent manner.

Bond and Coupon Section. The Bond and Coupon Section receives, verifies and pays all matured bonds and coupons either locally or through Citibank as fiscal agent in New York City. The objective is "to complete the redemption of all bonds and coupons on date of maturity." With the limited staff of one Bond and Coupon Supervisor and one Clerk, only persistent hard work enabled this unit to fulfill this objective. 122,050 bonds and coupons were redeemed in the total amount of \$42,890,846. All bonds and coupons presented were promptly paid.

Investment Program. The goal of the Investment Program is "to administer and control the investment of all moneys in the Treasurer's custody that are not required for payment of current obligations for the purpose of maximizing interest income while preserving the liquidity and safety of the principal," with the objective "to maintain all surplus funds in investments which exceed the Federal Funds Rate."

In 1982-83, the above goal and objective were met with outstanding success by the cash management and investment staff of four.





For 1982-83, total interest received amounted to \$105,433,318.88 at an annual yield of 12.745% versus \$104,913,283 and 14.479% for 1981-82.

For pooled cash, the unapportioned interest earnings for 1982-83 were \$94,151,604 at an annual yield of 13.207% versus \$85,566,710 and 14.581% for 1981-82. Higher interest rates and astute portfolio management produced results much higher than targeted. In 1983-84, targets have been revised downward to reflect the current unsettled interest rate conditions. The average rate of return of 12.745% exceeded the average rate earned by the State Local Agency Investment Fund of 10.45% and the average effective Federal Funds rate of 9.43%.

In 1975, the Treasurer's Office acquired the "Moneymax" system of computerized cash flow and investment program. This program, in addition to "Telerate" market information service and direct lines furnished by investment houses, has enabled our investment officer to increase our interest earnings and rate of return to our present high levels as shown in the attached table, (Portfolio Statistics). The institution of direct bank deposits in the early 1970's, where departments deposited their receipts directly with the local branch of Bank of America, accelerated the flow of cash into the Treasury. During the 1979-80 fiscal year, the position of Cash Manager was created based on the recommendation of the Mayor's Fiscal Advisory Committee. The Cash Manager's primary duty has been to see that all departments follow the Charter mandate that the Treasurer receive and receipt all funds which have been deposited with all City departments by the next business day. The Cash Manager is investigating noncompliance of departments and formulating procedures to avoid delays. The Mayor's Fiscal Advisory Committee also recommended a lockbox system of processing



invoiced receipts directly mailed to a successful bidder bank. In October of 1979, Crocker Bank was the successful bidder; and a combined lockbox account was set up to process invoiced receipts of the Airport Commission, Port Commission, San Francisco General Hospital and Laguna Honda Hospital. At the same time, the Treasurer-Tax Collector parking meter operation was also established as a Wells Fargo Bank lockbox system. In 1980-81, Municipal Court parking and traffic citation receipts were added to the lockbox program. Our investment officer can now invest by the next morning these receipts processed and directly deposited to our account.

This year, the Treasurer began a credit card payment program for parking citations and misdemeanor bail. This program has attracted nationwide attention due to its initial success and innovative concept. The Treasurer has also initiated a program to reduce the inordinate cost of warrant float. City warrant accounts are being converted to checking accounts as warrant stock is exhausted. It is estimated that the annual increase in interest income will exceed \$250,000.

Five years of comparative portfolio statistics follow.



PORTFOLIO STATISTICS

ALL FUNDS

|                             | <u>1978-79</u> | <u>1979-80</u> | <u>1980-81</u> | <u>1981-82</u> | <u>1982-83</u> |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Interest Received           | \$ 42,019,469  | \$ 61,223,716  | \$ 72,279,042  | \$104,913,283  | \$105,433,319  |
| Total Interest Earned       | 46,271,791     | 61,777,202     | 76,328,450     | 103,837,361    | 112,138,124    |
| Average Daily Balance       | 509,357,655    | 546,173,549    | 617,954,789    | 715,229,031    | 879,859,738    |
| Earned Interest Yield       | 9.084%         | 11.280%        | 12.95%         | 14.479%        | 12.745%        |
| Average Yield End of Period | 9.926%         | 11.155%        | 14.88%         | 12.170%        | 11.456%        |

POOLED FUND

|                             |               |               |               |               |               |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Interest Received           | \$ 29,577,314 | \$ 43,754,303 | \$ 57,397,433 | \$ 85,566,711 | \$ 94,151,605 |
| Total Interest Earned       | 30,856,916    | 46,568,334    | 60,496,034    | 85,466,499    | 100,228,795   |
| Average Daily Balance       | 333,046,045   | 393,874,251   | 482,684,740   | 584,214,547   | 758,906,600   |
| Earned Interest Yield       | 9.265%        | 11.791%       | 12.56%        | 14.581%       | 13,207%       |
| Average Yield End of Period | 10.144%       | 11.619%       | 15.12%        | 12.073%       | 10.833%       |



## TAX COLLECTOR

### 1982-1983 ANNUAL REPORT

The office of the Tax Collector administers the receipt and deposit of all monies for taxes, licenses and other fees due the City and County under the direction of the Treasurer as assigned and specified by the Charter. The office also provides the collection of delinquent accounts to other City departments. To be effective this work requires coordination with other agencies and officials of the City and County, the State and the Board of Supervisors as well as other tax administrators and policy bodies.

The overall goal of the office is to provide an efficient and equitable property tax, business tax, license, and parking meter collection service for all City and County taxpayers and public agencies in accordance with State law and City ordinances, and maximize the investment return from public funds by expeditiously processing and depositing receipts.

The Tax Collector supervises seven operating divisions: Real Estate, License, Business Tax, Investigations, Parking Meters, Cashier's and Delinquent Revenue which have the following basic goals:

1. To provide centralized administrative services for the department and support services to the divisional programs activities.
2. To provide for the centralized collection of secured and unsecured property taxes for local government taxing agencies within the City and County of San Francisco.





3. To maintain a post audit program to determine the accuracy of taxpayer reports and to levy additional taxes if the audit indicates an underpayment.
4. To administer and collect the Business Tax, Payroll Expense Tax, Parking Tax, Utility Users Tax and Stadium Admission Tax.
5. To collect fees for licenses and permits which are required by Municipal Code, Part III; to collect the Transient Occupancy Tax and Dog License Fees; and to determine eligibility for preferential parking permits in selected residential areas and to collect fees for same.
6. To administer and account for the collection of Parking Meter Revenues.
7. To provide for the centralized collection of accounts delinquent in excess of 90 days for all City and County departments except those under the jurisdiction of the Public Service Enterprises and to provide for the resolution of all delinquent taxpayer accounts.

A more detailed description of the function of each division is to be found in the body of this report. It is accompanied by individual program goal statements which are directed towards the achievement of timeliness and quality of service delivery. Their main objective is to maximize the City's revenues and make possible the funding of other City and County functions and services.



## HIGHLIGHTS

The Business Tax Division had another outstanding year. The Business and Payroll Expense Tax was 107% of target, indicating a healthy and growing economy in San Francisco. Audit deficiency billings hit a record high, \$3,577,006 or seven times the cost of the audit program.

The License Bureau completed implementation of a new computerized system of accounting and control on both residential parking files and license files. This system utilizes direct data entry and retrieval through CRT terminal screens. With this ingenuity of automating some of its clerical functions, licenses were easily tracked thereby keeping delinquencies in check. The average cost to revenue ratio was 10%.

In spite of the rising cost due to an increase in the number of meters, the Parking Meter Division was still able to keep cost below the target ratio of six percent.

Collections effectuated by the Bureau of Delinquent Revenue increased by \$283,320 or 16% without any staff increases. An on-line computerized billing and tracking system was begun and will be operable in fiscal year 1983-84.

The Legal Division had another banner year. Total dollar recovery was \$1,624,555.

The Investigation Division increased collections to \$3,600,000 as compared to \$3,058,000 last year, 17% higher. This was mainly accomplished by increased usage of the Summary Judgment Program to collect delinquent unsecured property taxes.



Collection effectiveness also was outstanding. Dollars collected per field call was \$201.

#### ADMINISTRATION

The fourth year of the administration's experience with Management by Objective remained positive. With a continued goal of providing centralized administrative services for the department and support services to the program and activities of the Tax Collector's Office, four objectives were set:

1. To complete at least three evaluation or work standard reports during fiscal year 1982-83.
2. To maintain administration at no more than 7% of the total department budget.
3. To ensure that at least 85% of the 1982-83 department objectives were met, and
4. To develop and present one in-house training program per unit to improve staff efficiency and effectiveness.

The administration repeated its performance of 1981-82 by meeting all four objectives. The percentage of achievement of objective number three reached 92%. In addition, the total collections for 1982-83 were 6% higher than 1981-82.

This year new computerized systems were designed and implemented in the License Division and Bureau of Delinquent Revenue. This allowed us to handle a greater volume of work without having to increase staff; consequently providing increased cost savings to the taxpayer.

Therefore, our long range objectives are to further reduce delinquencies and increase collections by mechanizing our



collection procedures by utilizing electronic cash registers and word-processing equipment. By the end of fiscal year 1983-84 all divisions should have data processing capabilities to assist them in their collection efforts.

#### CASHIER'S DIVISION

The Cashier's Division processes all payments of taxes, licenses and other revenues received over the counter and by mail in the Tax Collector's Office. Internal control is maintained by a numeric identification system and the microfilming of checks. Each type of collection is balanced separately and the sum of the money collected is deposited with the Treasurer daily.

Mail is another responsibility of the Cashier's Division. Incoming mail is opened, sorted and distributed. Checks with proper support documents are processed immediately. Checks that require identification or verification are examined by the appropriate tax divisions. Effective September 1982, outgoing mail is processed through the City Hall mail service system.

The division was successful in meeting its daily objective of processing and accounting for the receipt of all collections made through the Cashier by the close of the same business day. The highest achievement of the year was the efficient completion of the real estate second installment peak collection in a record two days.

The comparison of collections shows that Fiscal Year 1982-83 exceeded the previous year by \$31,542,908. The total collected for the year was \$513,956,615 and 423,651 transactions.





UNIFORM SALES AND PURCHASE TAX

San Francisco Uniform Sales and Purchase Tax has been collected since July 1958, by the State of California as agent for the City and County, and the revenues minus collection costs are returned to the City and County. The amount credited to San Francisco for Fiscal Year 1982-83 was \$59,231,194.

Beginning in September 1972, one quarter of one percent was collected in taxes from the Uniform Sales and Purchase Tax and remitted to the San Francisco Bay Area Rapid Transit District. For Fiscal Year 1982-83, this amount was \$14,770,972.



COMPARISON OF COLLECTIONS BY THE CASHIER'S DIVISION

| TYPE OF COLLECTION                       | 1982-83              |                                 | 1981-82              |                                 |
|------------------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|
|                                          | Amount               | Number of<br>Items<br>Processed | Amount               | Number of<br>Items<br>Processed |
| Real Estate Tax                          | \$231,643,699        | 262,234                         | \$208,533,319        | 261,838                         |
| Unsecured Personal<br>Property Tax       | 28,600,993           | 33,668                          | 24,555,482           | 33,934                          |
| Business Tax                             | 11,430,562           | 2,119                           | 11,509,140           | 3,363                           |
| Payroll Tax                              | 83,723,687           | 11,103                          | 77,798,020           | 15,112                          |
| Hotel Tax                                | 34,870,505           | 1,503                           | 35,182,112           | 1,502                           |
| Parking Tax                              | 11,127,371           | 1,137                           | 9,944,288            | 1,134                           |
| Utility Tax                              | 21,840,914           | 416                             | 28,358,831           | 489                             |
| Stadium Tax                              | 271,265              | 3                               | 380,923              | 9                               |
| Licenses                                 | 4,995,920            | 108,055                         | 4,341,894            | 100,170                         |
| Parking Meter                            | 6,453,047            | 253                             | 6,224,661            | 254                             |
| Retail Sales and<br>Local Transportation | 74,002,166           | 25                              | 72,264,841           | 48                              |
| Tax Redemption                           | 7,689,145            | 4,857                           | 5,874,932            | 4,418                           |
| Delinquent Revenue                       | 660,292              | 2,697                           | 828,845              | 1,999                           |
| Other                                    | 1,647,049            | 531                             | 1,616,419            | 477                             |
| <b>TOTAL</b>                             | <b>\$518,956,615</b> | <b>428,651</b>                  | <b>\$487,413,707</b> | <b>424,797</b>                  |



## PROPERTY TAX DIVISION

### Overview

The Property Tax Division of the Tax Collector's Office provides a variety of services associated with the specific taxes under its jurisdiction. Primarily, it accounts for and reports the collection of real property and unsecured property taxes. It also provides tax information, processes claims for tax overpayments and performs a host of miscellaneous functions.

### Collection

The primary responsibility of this division is the collection and reporting of Property Taxes in excess of \$268 million per fiscal year. These taxes include those levied on real estate and those assessed against unsecured personal property. In addition there are collection charges, water and sewer charges, sidewalk repair charges, and escaped assessments. Lastly, it collects taxes as established by the State Board of Equalization upon large utilities and public corporations.

### Recordation and Reconsideration

In order to properly account for its collections, the Property Tax Division maintains accounting records. After tax payments are accepted, they are posted either manually or electronically. The manual system accounts for those collections that are unidentifiable, incorrect, or supplemental, whereas acceptable payments are mechanically recorded for entry into the City's Computer system. Amounts are reconciled upon receipt of additional information, such as roll corrections, through the Assessor's



office or additional payments from assesseees. Similarly overpayment of levies are reconciled by issuing refunds or transferring balances as necessary.

### Reports

In order to summarize collections this division generates reports for internal and external purposes. Monthly reports are prepared for the Controller indicating the amount of taxes and penalties received. Performance reports are compiled for management on a monthly basis. Quarterly performance assessment charts are created as part of the division's participation in the City's Management by Objective Program which indicates how the division is performing as compared to projected target levels. External parties are also interested in obtaining summary information. For example, the Census Bureau requests tax collection data quarterly and the State of California periodically monitors county tax collections.

### Information

This division responds to telephone and in-person inquiries regarding not only tax related issues (such as account status, dates paid and due, assessment amounts, mailing addresses, and ownership) but also to sundry questions requiring referral to other sections of City Hall as well as to other offices in San Francisco and Sacramento when the situation arises. To aid in this activity the division provides access to microfiche viewers containing tax data and operates electronic printers and cathode ray tubes. Also upon request, research of the tax rolls is conducted to ascertain delinquent assessments and determine the City's interest in particular parcels. The Property Tax Division also





distributes the annual tax bills to property owners or to their representatives, such as financial institutions, tax service agencies, and real estate brokers. The public relations activity of this division includes the liaison function performed to facilitate communication between related departments within City Hall and between the other divisions of the Tax Collector's office.

Miscellaneous

The Property Tax Division also provides many subsidiary services, e.g., processing liens and certificates required by the Senior Citizen Postponement Program, selling microfilmed tax information and payment history to title companies, and recommending penalty waivers to the County Assessor.



## Financial Highlights

The table below provides the significant statistical information as compared with the previous year.

### A. SECURED PROPERTY TAX

|                                         | <u>%</u><br><u>Increase</u><br><u>(Decrease)</u> | <u>1982-1983</u> | <u>1981-1982</u> |
|-----------------------------------------|--------------------------------------------------|------------------|------------------|
| Collections for the FY<br>(Regular Tax) | 10.81%                                           | 229,340,582      | 206,958,654      |
| Collections on Special<br>Assessments   | 37.49                                            | 706,375          | 513,760          |
| Penalties and Costs                     | 112.82                                           | 910,901          | 423,009          |
| Total Taxes & Penalties                 | 11.09                                            | 230,957,853      | 207,900,423      |
| Add: Duplicate Payments                 | 15.78                                            | 741,467          | 640,410          |
| Total Cash Collections                  | 11.11%                                           | 231,699,325      | 208,540,833      |
| Delinquent Taxes                        |                                                  | 8,835,952        | 7,858,452        |
| % to Total Roll                         |                                                  | 3.7%             | 3.6%             |

### B. UNSECURED PROPERTY TAX

|                    |        |            |            |
|--------------------|--------|------------|------------|
| Prepayments        | 8.52%  | 434,223    | 400,129    |
| Current Taxes      | 19.67  | 27,658,182 | 23,111,504 |
| Prior Year's Taxes | (7.43) | 472,720    | 510,640    |
| Total              | 18.91% | 28,565,125 | 24,022,273 |

### C. OTHER STATISTICAL DATA

#### No. of Bills Issued

|                      |         |         |
|----------------------|---------|---------|
| 1) Secured           | 158,149 | 157,164 |
| 2) Unsecured         | 38,083  | 38,686  |
| Rate per \$100 Value | \$1.17  | \$1.19  |



On January 1, 1982, the Legislature amended the Revenue and Taxation Code by adding Sec. 532.5. This Section provides that escaped assessments can be paid over an eight year period without additional interest or penalty in those instances where the error causing the escaped assessment was not that of the assessee.

In fiscal year 1982-83, there were 60 accounts enrolled under this plan. It is anticipated that enrollment for the current year will more than double as more and more taxpayers become aware of this payment plan. Processing is still done manually.

Due to increasing work volume on one hand and limited manpower resources on the other, the division instituted several changes which will allow it to operate more effectively and efficiently. These are:

1. Increased coordination efforts between personnel of the Real Estate Division, the Assessor's Office, Controller's Office and other departments. The Assessor's and Controller's offices provide the major input data relating to the tax bills and changes made thereto.
2. Converting current E.D.P. method of processing unsecured property taxes payments, correction and/or updates from tape system to on-line system.
3. Improved existing methods of bookkeeping and recording by providing cross-references of posted or processed transactions for easier audit trail.
4. Developing staff flexibility through on-the-job exposure to the various operational processing activities of the Department.



During peak periods the refund desk is assigned to the check control desk to help facilitate immediate processing of payments. This year the department will institute some job rotations.

5. Working as a team and involving staff in problem solving.

With these changes effected and recommendations implemented, departmental staff members must continue to perform the basic departmental functions. The faster they are able to process tax payments, and the sooner these payments are deposited, the greater the increase in the City's revenue from the additional interest earned. In addition, to reduce taxpayers complaints, we must process refund claims more quickly which is now the department's most pressing problem.

#### Program Objective Assessment

In fiscal year 1982-83, the division met most of its objectives. Expenditures increased by nine percent through increases in material and supplies and other services, especially city mail services costs which were not anticipated. The total collections during the fiscal year 1982-83 in Real and Personal Property Taxes, including penalties and costs increased by about 11.09% over last year. The percentage of collection (tax only) in 1982-83 against the total roll were 96.41% and 97.5% for Real and Personal Property Taxes respectively. The division is committed to attain and maintain the following objectives:

1. To complete mailing of current year tax bills by November 1.
2. To process within four working days all payments received on or before December 10 and April 10.





3. To process refund and reconcile all secured tax payments received on or before December 10 and April 10 within 50 working days.
4. To process refund of duplicate and overpayments - current and prior years at an annual rate of 25% or more of the total outstanding refundable accounts.
5. To post and reconcile all Unsecured Personal Property tax payments received on or before August 31 within 45 days.

#### TAX REDEMPTION BUREAU

The Tax Redemption Bureau computes and processes payments of delinquent property taxes. It maintains complete IBM listings and accounting records of delinquent property taxes as to the original taxes, delinquent penalty, cost, State redemption fee, redemption penalty, and unpaid balances if the taxes are being paid under the five-year installment payment plan. Consequently it handles a large volume of telephone calls and correspondence as to the interpretation of the Revenue and Taxation Code of the State of California, current tax status, and the computation of taxes and penalty from the general public, title insurance companies, mortgage companies, savings and loan companies, and tax service institutions. Its effective functioning demands a close working relationship with the City Controller's office, the Assessor's office and the State Controller's office in Sacramento.

The Bureau also prepares lists of real property sold to the State and deeded to the State, and arranges for publication of this information in a local newspaper in compliance with the laws



of the State of California.

1. As to the secured property taxes that became delinquent in years prior to June 30, 1983, \$7,865,155 was collected during 1982-83. Please refer to Schedule "A" for month by month breakdown and Schedule "B" for year by year breakdown.
2. On June 30, 1983, 4,501 parcels were sold to the State compared to 5,340 on June 30, 1982.
3. On July 8, 1983, 34 parcels were deeded to the State against 28 on July 9, 1982.
4. In 1982-83, 6410 parcels were redeemed, compared to 4,077 in 1981-82.

The revenue total for the Tax Redemption Bureau \$7,365,155 reflects the total for parcels fully redeemed in this fiscal year. It includes all parcels totally redeemed this year as well as the totals for parcels for which time payments have been made over several years and were finally redeemed in this fiscal year. The Cashier's total, \$7,689,145 includes only the payments actually made within this fiscal year. Some of these payments totally or finally redeemed parcels and are counted with the Redemption Bureau total. Others are time payments, made against parcels not yet completely redeemed and consequently not included in the Redemption Bureau total.



SCHEDULE AFULL REDEMPTION BY MONTH 1982-1983COLLECTION BY MONTH

|          | <u>TAXES</u> | <u>DELINQUENT<br/>PENALTIES</u> | <u>COST</u> | <u>REDEMPTION<br/>FEE</u> | <u>REDEMPT.<br/>PENALTY</u> | <u>TOTAL</u> |
|----------|--------------|---------------------------------|-------------|---------------------------|-----------------------------|--------------|
| Jul 1982 | \$281,612    | \$16,198                        | \$1,716     | \$1,596                   | \$12,299                    | \$313,421    |
| Aug 1982 | 721,091      | 43,113                          | 2,930       | 2,642                     | 38,010                      | 807,786      |
| Sep 1982 | 513,316      | 29,685                          | 2,493       | 2,307                     | 34,683                      | 582,484      |
| Oct 1982 | 1,150,466    | 68,479                          | 4,034       | 3,628                     | 91,602                      | 1,318,209    |
| Nov 1982 | 755,562      | 45,130                          | 3,809       | 3,580                     | 82,491                      | 890,272      |
| Dec 1982 | 598,675      | 35,679                          | 1,991       | 1,760                     | 73,878                      | 711,983      |
| Jan 1983 | 456,038      | 27,292                          | 1,559       | 1,428                     | 55,040                      | 541,357      |
| Feb 1983 | 324,230      | 19,405                          | 1,384       | 1,381                     | 43,417                      | 389,817      |
| Mar 1983 | 360,639      | 21,623                          | 805         | 689                       | 52,715                      | 436,471      |
| Apr 1983 | 644,246      | 38,438                          | 1,564       | 1,019                     | 223,562                     | 908,829      |
| May 1983 | 263,467      | 15,766                          | 1,097       | 980                       | 50,413                      | 331,723      |
| Jun 1983 | 478,863      | 28,643                          | 1,671       | 1,233                     | 117,811                     | 628,221      |
| TOTAL    | \$6,548,205  | \$389,451                       | \$24,753    | \$22,243                  | \$875,921                   | \$7,860,573  |

SCHEDULE BCOLLECTIONS BY FISCAL YEAR

|         | <u>TAXES</u> | <u>DELINQUENT<br/>PENALTIES</u> | <u>COST</u> | <u>FEE FOR<br/>REDEMPT.</u> | <u>REDEMPT.<br/>PENALTY</u> | <u>TOTAL</u> |
|---------|--------------|---------------------------------|-------------|-----------------------------|-----------------------------|--------------|
| 1972-73 | \$ 475       | \$ 29                           | \$ 3        | \$ 44                       | \$ 2,404                    | \$ 2,955     |
| 1973-74 | 31,328       | 1,880                           | 42          | 26                          | 163,648                     | 196,924      |
| 1974-75 | 60,591       | 3,635                           | 69          | 282                         | 15,059                      | 79,636       |
| 1975-76 | 83,912       | 5,019                           | 126         | 425                         | 40,643                      | 130,125      |
| 1976-77 | 104,383      | 6,248                           | 159         | 337                         | 25,784                      | 136,911      |
| 1977-78 | 155,349      | 9,305                           | 291         | 172                         | 52,633                      | 217,750      |
| 1978-79 | 88,695       | 5,270                           | 443         | 265                         | 57,540                      | 152,213      |
| 1979-80 | 258,274      | 15,281                          | 883         | 960                         | 88,546                      | 363,944      |
| 1980-81 | 944,491      | 55,974                          | 2,720       | 3,520                       | 150,130                     | 1,156,835    |
| 1981-82 | 4,820,707    | 286,810                         | 20,017      | 16,212                      | 279,534                     | 5,423,280    |
| *TOTAL  | \$6,548,205  | \$389,451                       | \$24,753    | \$22,243                    | \$875,921                   | \$7,860,573  |

\*The \$4,582. difference between the totals of Schedules A and B and the total in the Cashier's report is the result of an improper classification of a collection. It is in the process of being adjusted by a journal voucher in the Controller's Office.



## BUSINESS TAXES DIVISION

The Business Taxes Division is responsible for the administration of the Business Tax, Payroll Expense Tax, Parking Tax, Utility Users Tax, Hotel Tax and Stadium Admission Tax.

Under the direction of the Chief Auditor, the duties of the division are divided into (1) the administration of the various taxes and (2) the audit program.

The administration of Business Taxes involves maintenance of taxpayers files, collection of taxes, taxpayers assistance and other related duties. Taxpayers files are continuously serviced to maintain the current status of each taxpayer. Currently, there are approximately 59,000 active taxpayer accounts registered under the Business/Payroll Tax. In addition, there are several hundred accounts under the other taxes.

The Business Taxes Division does not actually receive and deposit tax payments in cash or by checks, but it must scrutinize each tax statement to ascertain the accuracy and propriety and provide for proper accounting of the tax receipts. Processing the 1982 Business Tax statement was a bigger task than we expected. The underlying reason is the fact that the Small Business Exemption was increased to \$2,500 in late 1982. Additional steps were required to process the statements. Because of the increased amount of Small Business Exemptions, refunds were made to taxpayers who had paid the 1982 prepayments but were exempt from paying the tax for that year. Therefore approximately 2,600 of such prepayments, almost \$2.3 million, were refunded.

The main function of the audit program is to promote taxpayer compliance with the tax ordinances and regulations. In carrying





out this function, the audit staff produced more than \$3.5 million of tax revenue in the fiscal year by uncovering tax deficiencies.

The 1982-83 MBO objectives for the Business Taxes administration were (1) to maintain the present number of delinquent accounts transferred to Investigation Division, (2) to process 90% of the tax statements received by March 1, within 13 working days, (3) to send out determination statements to all delinquent taxpayers before July 1, (4) to maintain the maximum personnel cost per transaction processed by the Transaction Control Unit under \$1.75, (5) to resolve 90% of Cashier inquiries within 24 hours of receipt, (6) to test Business/Payroll Tax instructions on non-Tax Collector personnel before sending to the taxpayer and (7) to reconcile each month's collections within 15 days after month end. All these objectives were reasonably met except (1) and (2). The actual number of delinquent accounts transferred was 25% more than the objective. The excessive number of delinquent accounts was due to the shortage of clerical staff to process the undeliverable determination statements returned by the Postal Service. In objective (2) we actually required 18 days to process the statements. Additional days were required because of the recently amended Small Business Exemption provisions in the ordinances.

For the audit program the objectives were (1) to achieve a recovery rate of at least \$110 per audit hour based on ordinary billings, (2) to produce .07 audit per hour and (3) to produce



a ratio of tax recovery to cost at least four times. All of these objectives were met.

The following will show the operating highlights of this

Division:

| <u>Tax Collections</u>       | Actual<br>FY 1982-83 | Estimated<br>FY 1982-83 |
|------------------------------|----------------------|-------------------------|
| Payroll/Bus Tax              | \$ 95,154,248        | \$ 83,800,000           |
| Utility Tax (Transfers Incl) | 22,537,345           | 21,600,000              |
| Parking Tax (Transfers incl) | 11,244,997           | 10,500,000              |
| Hotel Tax                    | 34,870,504           | 37,000,000              |
| Stadium Tax                  | 271,266              | 270,000                 |
|                              | <u>\$164,078,360</u> | <u>\$153,170,000</u>    |

| <u>Audit Results</u>     | 1982-83<br>MBO<br>Targets | Actual<br>FY 1982-83 | Actual<br>FY 1981-82 |
|--------------------------|---------------------------|----------------------|----------------------|
| Audit hours              | 17,500                    | 13,054               | 13,027               |
| Audits completed         | 1,250                     | 1,002                | 1,055                |
| Avg Hrs per audit        | 14                        | 13                   | 12.3                 |
| Total defic.billgs.      | \$2,337,596               | \$3,577,006          | \$2,756,925          |
| Avg billgs.per audit hr. | \$110                     | \$192(1)             | \$211(2)             |

|                                       |                    |
|---------------------------------------|--------------------|
| (1) Total billings                    | \$3,577,006        |
| Less: extraordinary<br>audit billings | <u>\$1,091,717</u> |
| Ordinary audit<br>billings            | <u>\$2,485,289</u> |

(2) The 1981-82 average billings per hour were based on total deficiency billings without adjustment for extraordinary audits.



## BUREAU OF DELINQUENT REVENUE

Established in 1935, the Bureau serves as the official collection agency of delinquent account receivables for all departments and offices of the City and County except for the Port Authority, the Department of Social Services, and municipally owned utilities under the jurisdiction of the Public Utilities Commission. The Bureau also collects Personal Property Taxes and Business-Payroll Expense Taxes on businesses entering into escrow or bankruptcy.

For fiscal year 1982-83 transfers by various City departments increased substantially. There were 5192 delinquent accounts in the amount of \$8,564,092 transferred in 1982-83 as compared to 2626 accounts totaling \$3,627,501 transferred in fiscal year 1981-82. It is estimated that the workload for escrow and bankruptcy increased by 50%. Although the Business and Payroll Expense Tax exemption increased to \$2,500.00, collections still increased by 16.6%.

As the workload increased without a concomitance to adequate staffing, revenue collection decreased due to the Bureau's inability to maintain pace with the paperwork involved with the manual billing of delinquent accounts. Corrective measures to cope with the voluminous paperwork were taken. The use of a collection letter service was implemented to augment the staff. The contract with Transworld System, Inc. provides for the systematic mailing of five collection letters on 2000 separate accounts. To date, the Bureau has referred 614 accounts totaling \$233,399 and has collected \$12,304 on the accounts referred.



The Bureau also prioritized hospital accounts and concentrated on the larger accounts with high collection potentials, such as Medi-Cal and insurance coverage, probates, and lawsuits with third party recovery possibilities.

The corrective measures were effective to the point that the Bureau's total collections for transferred accounts increased by \$205,531 over prior fiscal year. It did not, however, relieve the Bureau of its large volume of paperwork and the ability to process it.

To adhere to the demands by the various departments and the foreseeable increase in future transfers, the Bureau is designing and implementing an On-Line Data Processing and Control System. The system will have the capability to generate computerized collection letters in-house at a cost lower than the present contract with Transworld System, Inc. The system will produce and mail the letters on a systematic basis and will be implemented by September 30, 1983.

| <u>COLLECTIONS</u>                   | <u>FY 1982-83</u>  | <u>FY 1981-82</u>  |
|--------------------------------------|--------------------|--------------------|
| Dept. of Public Health               | \$546,930          | \$736,947          |
| Payments direct to SFGH              | 812,669            | 438,583            |
| All other Departments                | 113,361            | 91,897             |
| Taxes                                | <u>580,903</u>     | <u>498,113</u>     |
| Total Collection                     | <u>\$2,053,863</u> | <u>\$1,765,540</u> |
| <u>Other Delinquent Account Data</u> |                    |                    |
| Total No. Outstanding Accounts       | 8,785              | 5,338              |
| Total No. of Full Abandonments       | 1,380              | 1,582              |
| Total Collections in Full            | 765                | 526                |





The Bureau did not meet its original MBO objective for this fiscal year. The reasons for the inability to meet the objective was the increased paperwork and the prioritizing and concentration on hospital accounts whereby Medi-Cal and insurance payments are made directly to San Francisco General Hospital. The Bureau, however, did increase its overall collections by \$298,323 over the prior fiscal year.

#### INVESTIGATION DIVISION

The Investigation Division conducts field investigations essential to assure compliance with the requirements of the tax codes and ordinances governing the Office of the Tax Collector. These investigations are made for the other Divisions in the Tax Office. For example, the Division surveys large office buildings and construction sites to ascertain that all businesses are registered for the business/payroll taxes. It assists the Legal Division in preparing court cases by compiling reports and serving necessary legal documents. The division prepares documentation and sues in Small Claims Court on business tax cases of \$1,500 or less.

The Division accomplished all four of its MBO objectives. To attain the first objective which was to contact all delinquent accounts exceeding \$400 within one year of receipt, the summary judgment program was utilized. The field investigators only made calls on delinquent business tax and license accounts. In addition, there was a significant increase in the number of liens filed.

To accomplish the second objective, the division notified by mail eighty percent of the taxpayers with delinquent accounts of \$400.00 or less. Temporary help was required to aid in fulfilling this goal.



The third objective required two percent of all field investigations to be reviewed by taxpayer contact. In order to exceed this objective, the senior investigators spent more time monitoring in the field. Also, they made greater use of the telephone in reviewing investigations.

The final objective was to maintain the number of field calls at 18,000. A total of 17,869 calls were made. Although it appears that the Division fell short by less than one percent, it considers the objective satisfied. The total number of calls represent a seven percent increase over the calls for the previous year.

Collections were increased by seventeen percent. Last year the Division collected \$3,058,000. This year, the figure was \$3,600,000. It is hoped that, although the department is losing approximately eighty percent of the Business Tax accounts, the current year's collection can be maintained.

| <u>Cases Filed and Instituted</u> | <u>1982-83</u> | <u>1981-82</u> |
|-----------------------------------|----------------|----------------|
| Small Claims Court                | 39             | 32             |
| Municipal/Superior Courts         | 205            | 158            |
| Accounts Open start of year       | 28,127         | 22,420         |
| Accounts received during year     | 9,904          | 13,342         |
| Subtotal                          | 38,031         | 35,762         |
| Accounts closed during year       | 6,534          | 7,635          |
| Accounts on hand year end         | 31,447         | 28,127         |
| Certificates on file              | 2,941          | 1,494          |
| Cases submitted for suit          | 244            | 190            |
| Abandonment recommendations       | 190            | 0              |
| Calls made                        | 17,869         | 16,563         |
| Collections made                  | \$3,600,083    | \$3,058,026    |



## LEGAL DIVISION

Legal Division's principal objective is the enforcement of monetary obligations in favor of the Tax Collector by means of the civil litigation process. The term civil litigation, when used to describe Legal Division's operation, encompasses three basic activities: (1) filing new lawsuits on recently transferred delinquent accounts and processing those suits to default judgment; (2) collecting on judgments previously rendered and (3) litigating in court those contested cases where the defendant demands a court trial. In addition to civil litigation, the division renders legal advice to Tax Collector Divisions and prepares contracts, consensual liens, and other forms for use by its primary client divisions - Business Tax and Bureau of Delinquent Revenue. As a separate operating division, it has its own administrative reporting and personnel responsibilities.

During this period, the division personnel was augmented by the inclusion of a Class 8173 Legal Assistant. This employee is funded by a work order from Laguna Honda Hospital, Department of Public Health. In view of the source of funding, the legal assistant has been assigned to work primarily on Laguna Honda and San Francisco General Hospital cases. However the legal assistant does not work exclusively on those type of cases. The legal assistant works closely with the attorney performing a wide variety of assignments; preparing complaints for filing, obtaining documentary evidence from client agencies on whose behalf the collection case is being prosecuted, interviewing witnesses and



performing legal research are examples of the more frequent assignments performed by this employee.

After one full year of employment, the effectiveness of this classification can be seen in the overall increase in the number of judgments recorded, and more importantly, the amount of delinquent revenue collected. For the second consecutive year, the division has reported a level of collection higher than any preceding period since collections were reported.

Statistical Report (Legal Division)

Bureau of Delinquent Revenue

|                                          |           |
|------------------------------------------|-----------|
| Number of complaints filed               | 28        |
| Number of abstracts of judgment recorded | 23        |
| Dollar Recovery                          | \$223,604 |

Business Tax

|                                          |             |
|------------------------------------------|-------------|
| Number of complaints filed               | 31          |
| Number of abstracts of judgment recorded | 29          |
| Dollar Recovery                          | \$1,400,951 |

Totals

|                       |             |
|-----------------------|-------------|
| Total new complaints  | 59          |
| Total new abstracts   | 52          |
| Total dollar recovery | \$1,624,555 |

LICENSE DIVISION

The License Division collects fees used to defray the cost of inspections by the Departments of Public Health, Public Works, Police and Fire as business licenses in San Francisco are primarily regulatory in nature. The bureau also serves as a





central collection agency for the receipt of those fees required by Part III of the Municipal Code which includes dog license fees as well. Further, it administers the residential parking program in the twelve areas currently established by the Board of Supervisors. This includes determination of eligibility of the applicant, the collection of required fees and the issuance of permit stickers.

For fiscal year 1982-83, the License Division met or exceeded its program objectives, which were:

1. To provide the investigation unit with a listing of all delinquent apartment house license renewals by February 15th.
2. To maintain the current rate of delinquent licenses.
3. To investigate all questionable stickers referred by public or traffic control, cancelling those in illegal use.
4. To process and file 100% of licenses or permits within 45 calendar days after respective deadlines or expiration dates.
5. To reconcile file changes and payments within (20) twenty days of end of month.

During the second half of fiscal year 1982-83, the License Division adopted a new computerized system of operations on both residential parking files and license files. This system utilizes direct data entry and retrieval through CRT Terminal Screens. There is a central unit where master files are kept and it processes mailed notices, notifications and file updates through a terminal-supported procedure. With this ingenuity of automating some of



its clerical functions, the February 15th deadline for providing the delinquent apartment house list was easily met. The Bureau still maintained its current rate of delinquent licenses and achieved all objective deadlines. In revenue collections, the bureau had a budgeted forecast of \$5,578,649.00. Its actual collections were \$4,995,921.00 or \$582,728.00 less than the forecast. The reasons why it did not reach the forecast revenue were:

1. Revenue forecast amount under unallocated miscellaneous business licenses was projected too high by \$500,000.
2. Revenue forecast amount under dog license was unachievable because of the variations of rates as dictated by the amended dog ordinance.
3. Three percent of the expected renewal applications for preferential parking were not received because they moved out of the area and could not meet the residency requirements.

However, in comparison to previous year's revenue of \$4,341,896.00 with this year's \$4,995,921.00, the License Division collected \$654,025.00 more. Most of this revenue came from the reduction in the delinquent licenses and part of which came from the issuance of new licenses and sale of the newly established "Contractor's Parking Permits".

In addition, the License Division participated again in this year's Summer Youth Program. The Bureau provided beginning work experience to ten (10) high school youngsters who helped the bureau attain its objective deadline in the issuance of dog license renewals.

For fiscal 1983-84, the division will maintain its fiscal



year 1982-83 objectives in the area where it experienced its overall effectiveness. In an effort to reflect the true picture of its Revenue Forecast Collections for fiscal year 1983-84, the division will request the Controller's office to revise its forecast to match with this year's performance amount.

Following are division objectives for the coming year:

1. To provide the investigation unit with a listing of all delinquent apartment house license renewals by February 15th.
2. To reduce or at least maintain the current rate of delinquent licenses.
3. To investigate all questionable stickers referred by public or traffic control, cancelling those in illegal use.
4. To process and file 100% of licenses or permits within 45 calendar days after respective deadlines or expiration dates.
5. To reconcile file changes and payments within twenty (20) days of end of month.



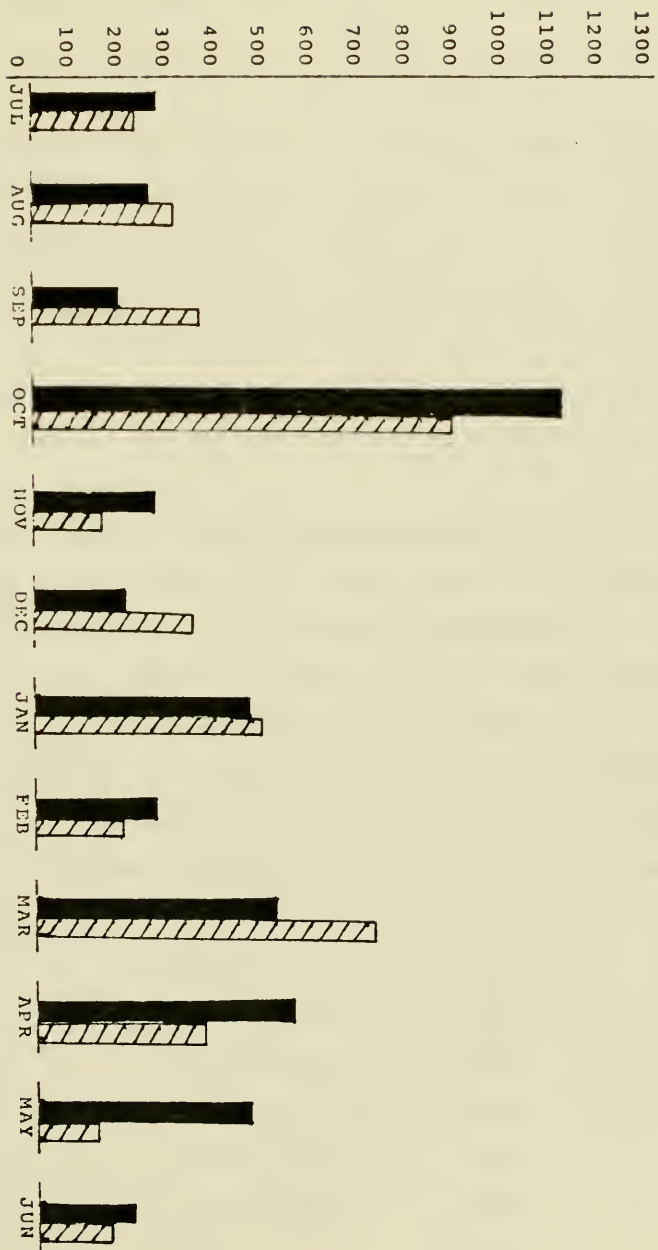
|                                 | 1982-83           |                   | 1981-82           |                   |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                 | <u>Number</u>     | <u>Amounts</u>    | <u>Number</u>     | <u>Amounts</u>    |
| General Business                | 22,972            | \$2,215,905       | 23,230            | \$1,773,006       |
| Vehicles                        | 313               | 56,751            | 794               | 52,174            |
| Food Product-Marketing          | 1,744             | 400,537           | 1,793             | 299,490           |
| Miscellaneous                   | 4,451             | 108,739           | 4,275             | 62,317            |
| Dogs                            | 25,249            | 147,720           | 22,356            | 133,735           |
| Food Preparation and Service    | 4,664             | 1,382,911         | 5,499             | 1,407,833         |
| Parking Permits                 | 46,291            | 404,586           | 40,331            | 344,096           |
| Fire Dept. Licenses             | 1,350             | 278,772           | 1,892             | 269,145           |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Grand Total                     | 108,054           | \$4,995,921       | 100,170           | \$4,341,896       |
|                                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Difference from 1981-82 Results | <u>7,886</u>      | <u>\$654,025</u>  |                   |                   |





OFFICE OF TAX COLLECTOR  
 LICENSE DIVISION  
 MONTHLY REVENUE CHART  
 COMPARISON FISCAL YEARS 1982-1983 & 1981-1982

THOUSAND DOLLARS



LEGEND:

■ - 1982-1983  
 ▨ - 1981-1982

TOTAL ANNUAL REVENUE:

1982-1983 - \$ 4,995,921.00  
 1981-1982 \$ 4,341,896.00

DIFFERENCE: \$ 654,025.00



## PARKING METER DIVISION

The Parking Meter Division administers the collection, sorting, counting and depositing of all parking meter revenues within the City and County of San Francisco except for those of the Port Authority. In addition, the division compiles and analyzes the statistical information available from those collections for the purpose of minimizing the costs to the City and County, while maximizing the revenue from this activity. For Fiscal 1982-83, the revenue continued to be collected by Brinks, Inc. under a Proposition J contract. Wells Fargo Bank, under a like contract handled the sorting, counting and depositing of these revenues.

The City and County of San Francisco at the end of fiscal 1982-83 operated 16,049 meters, an increase from June of the previous year of 47 meters, but a decrease from December 31, 1982's high of 16,234. This wide swing in meter numbers represents a large number of installations and removals, including the closing of the Bartlett lot in the Mission district for double decking to increase the number of parking places available to San Franciscans. The rate distribution of these meters at years end was as follows:

|                                         |                |            |
|-----------------------------------------|----------------|------------|
| 2 hour limit at                         | \$.20 per hour | 1,290      |
| 1 hour limit at                         | .20 per hour   | 8,694      |
| 1 hour limit at                         | .50 per hour   | 3,846      |
| 30 min limit at                         | .50 per ½ hr.  | 1,464      |
| 30 min limit at                         | .10 per ½ hr.  | 470        |
| 10 hour limit at<br>(motorcycle stalls) | .05 per hour   | <u>285</u> |
|                                         | Total          | 16,049     |



489 of these meters are in off street lots throughout the City, while 15,551 are street meters.

The division's management by objective goal was to maintain cost under 6% of total revenue. The achieved ratio was 5.2% of the total cost. The average collection day for the year was \$25,760. The range covered rose from a low of \$24,262 in January, to the high of \$27,280 of the previous September. There was a 4% increase in overall revenue from the previous year.

|                 | <u>STATISTICS</u>  |                    |
|-----------------|--------------------|--------------------|
| Area            | <u>1982-1983</u>   | <u>1981-1982</u>   |
| Zone 1          | \$1,642,118        | \$1,595,413        |
| Zone 2          | 1,513,619          | 1,425,915          |
| Zone 3          | 1,584,399          | 1,556,627          |
| Zone 4          | 1,449,719          | 1,369,907          |
| Dept. of Elec.  | 13,999             | 9,451              |
| Off Street Lots | <u>249,119</u>     | <u>265,908</u>     |
| Total           | <u>\$6,453,047</u> | <u>\$6,224,661</u> |



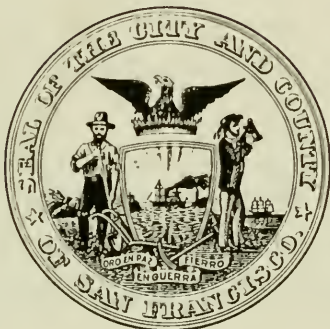






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1983—1984

MARY I. CALLANAN

TREASURER



ANNUAL REPORT OF THE TREASURER-TAX COLLECTOR  
CITY AND COUNTY OF SAN FRANCISCO  
AS OF JUNE 30, 1984

FOR  
FISCAL YEAR 1983-1984

DIVISION 01 ADMINISTRATION

The goal is to provide centralized administrative services for the department and to provide support services to the programs and activities of the Treasurer-Tax Collector.

DIVISION 02 TREASURY

The Treasury Division consists of two programs. One is the Treasury Program which includes the Cashier and Bond and Coupon units. The second program is Investments.

Treasury Program. The goal is to account for receipts of all funds deposited by City departments, the redemption of Controller's warrants and the disbursement of funds for other legal obligations.

Cashier Section. The major functions of the Cashier Section include the receipt of all City and County moneys and checks either through direct bank deposits, lockbox operations or Treasurer Receiving Window; payment of all Controller warrants through our Clearing House bank and also through Cashier Windows; reconciliation of the above receipts and disbursements with total cash on a daily basis; daily and monthly reconciliation of Treasurer checking accounts; daily input and detailed



reconciliation to FAMIS reports. All checks received through the Treasurer's Receiving Window are microfilmed before deposit to the bank. Internal control is achieved by division of duties between receiving cashier, vault cashier, paying cashiers, reconciliation cashiers and clerks, and the accountants.

The primary objective of the Cashier unit is to "process and account for the receipt of collections, departmental deposits and disbursements made through the Cashier by the close of the same business day." The Cashier unit accomplished this objective during the fiscal year despite continuation of the gradual change of Controller warrants from hard tabulating cards to soft encoded warrants. Some payroll warrants and all social services warrants are still issued as hard tabulating card warrants. This dual system creates a more complex daily reconciliation of disbursements with payments to our Clearing House bank.

1,994,000 warrants were disbursed in 1983-84; approximately 48,000 more than the prior year.

Total receipts amounted to \$2,049,181,000 while disbursements total \$1,957,974,000, resulting in a June 30, 1984 cash and equity balance of \$1,016,025,000.

Since the arrival of the NCR Remittance Processing System in November, 1980, the Cashier Section personnel have become involved with the encoding of deposit checks for direct



remittance to various banks. This process provides earlier investment of funds for higher interest earnings for the City. NCR Remittance Processing System now includes encoding of all controller warrants redeemed by our cashiers and processing mutilated warrants from our Clearing House bank to create a computer tape of encashed warrants. This encoding and tape creation process was previously done by Controller EDP personnel. This tape created in our office, together with the tapes provided by the Clearing House bank for controller warrants redeemed through the bank, is entered into the warrant reconciliation system as our daily encashed warrants. As the warrant reconciliation process is revised to be more efficient, our personnel are ready and willing to adapt to the changes with the new problems and perform in a competent manner.

Bond and Coupon Section. The Bond and Coupon Section receives, verifies and pays all matured bonds and coupons either locally or through Citibank as fiscal agent in New York City. The objective is "to complete the redemption of all bonds and coupons on date of maturity." With the limited staff of one Bond and Coupon Supervisor and one clerk, only persistent hard work enabled this unit to fulfill this objective. 112,934 bonds and coupons were redeemed in the total amount of \$47,506,113. All bonds and coupons presented were promptly paid. This section also handles the registering and re-registering of all General Obligation Bonds. In 1983-84 there were 51 transactions involving 270 bonds.





Investment Program. The goal of the Investment Program is "to administer and control the investment of all moneys in the Treasurer's custody that are not required for payment of current obligations for the purpose of maximizing interest income while preserving the liquidity and safety of the principal", with the objective "to maintain all surplus funds in investments which exceed the Federal Funds Rate."

In 1983-84, the above goal and objective were met with outstanding success by the cash management and investment staff of four. In 1983-84, total interest received amounted to \$107,826,318 at an annual yield of 11.48% versus \$105,433,319 and 12.75% for 1982-83.

For pooled cash, the unapportioned interest earnings for 1983-84 were \$93,244,519 at an annual yield of 11.64% versus \$94,151,604 and 13.21% for 1982-83. Lower interest rates required astute portfolio management to produce results much higher than targeted. In 1984-85 targets have been revised downward to reflect the continuing unsettled interest rate conditions. The average rate of return of 11.48% exceeded the average rate earned by the State Local Agency Investment Fund of 10.47% and the average effective Federal Funds rate of 9.80%.

In 1975 the Treasurer's Office acquired the "Moneymax" system of computerized cash flow and investment program. This program, in addition to "Telerate" market information service and direct lines furnished by investment houses, has enabled our investment officer to increase our interest earnings and



rate of return to our present high levels as shown in the following table - Portfolio Statistics. The institution of direct bank deposits in the early 1970's, where departments deposited their receipts directly with the local branch of Bank of America, accelerated the flow of cash into the Treasury. On the recommendation of the Mayor's Fiscal Advisory Committee a Cash Manager's position was created to see that all departments follow the Charter mandate that the Treasurer receive and receipt all funds which have been deposited with all City departments by the next business day, investigating noncompliance of departments and formulating procedures to avoid delays. That committee also recommended a lockbox system of processing invoiced receipts directly mailed to a successful bidder bank. Separate lockbox arrangements have been established to process invoiced receipts of the Airport Commission, Port Commission, San Francisco General Hospital and Laguna Honda Hospital; Treasurer-Tax Collector parking meter operations; and Municipal Court parking and traffic citation receipts. Our investment officer can now invest by the next morning these receipts processed and directly deposited to our account.

Last year the Treasurer began a credit card payment program for parking citations and misdemeanor bail. This program has attracted nationwide attention due to its initial success and innovative concept. A program was also initiated to reduce the inordinate cost of warrant float. City warrant accounts are being converted to checking accounts as warrant stock is exhausted.

Five years of comparative portfolio statistics follow.



PORTFOLIO STATISTICS

| <u>ALL FUNDS</u>                     | <u>1979-80</u> | <u>1980-81</u> | <u>1981-82</u> | <u>1982-83</u> | <u>1983-84</u> |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Interest Received                    | \$ 61,223,716  | \$ 72,279,042  | \$104,913,283  | \$105,433,319  | \$107,826,318  |
| Total Interest Earned                | 61,777,202     | 76,328,450     | 103,837,361    | 112,138,124    | 110,442,606    |
| Average Daily Balance                | 546,173,549    | 617,954,789    | 715,229,031    | 879,859,738    | 959,488,131    |
| Earned Interest Yield                | 11.280%        | 12.95%         | 14.479%        | 12.745%        | 11.479%        |
| Weighted Average Yield End of Period | 11.155%        | 14.88%         | 12.170%        | 11.456%        | 11.063%        |
| <u>POOLED FUNDS</u>                  |                |                |                |                |                |
| Interest Received                    | \$ 43,754,303  | \$ 57,397,433  | \$ 85,566,711  | \$ 94,151,605  | \$ 93,244,519  |
| Total Interest Earned                | 46,568,334     | 60,496,034     | 85,466,499     | 100,228,795    | 95,706,262     |
| Average Daily Balance                | 393,874,251    | 482,684,740    | 584,214,547    | 758,906,600    | 820,031,106    |
| Earned Interest Yield                | 11.791%        | 12.56%         | 14.581%        | 13.207%        | 11.639%        |
| Weighted Average Yield End of Period | 11.619%        | 15.12%         | 12.073%        | 10.833%        | 11.178%        |



## TAX COLLECTOR

### 1983-1984 ANNUAL REPORT

The office of the Tax Collector administers the receipt and deposit of all monies for taxes, licenses and other fees due the City and County under the direction of the Treasurer as assigned and specified by the Charter. The office also provides the collection of delinquent accounts to other City departments. To be effective this work requires coordination with other agencies and officials of the City and County, the State and the Board of Supervisors as well as other tax administrators and policy bodies.

The overall goal of the office is to provide an efficient and equitable property tax, business tax, license, and parking meter collection service for all City and County taxpayers and public agencies in accordance with State law and City ordinances, and maximize the investment return from public funds by expeditiously processing and depositing receipts.

The Tax Collector supervises eight operating divisions -- Cashier, Real Estate, Business Taxes, Delinquent Revenue, Investigation, Legal, License, and Parking Meter -- which have the following basic goals:

1. To provide centralized administrative services for the department and support services to the divisional programs activities.





2. To provide for the centralized collection of secured and unsecured property taxes for local government taxing agencies within the City and County of San Francisco.
3. To maintain a post audit program to determine the accuracy of taxpayer reports and to levy additional taxes if the audit indicates an underpayment.
4. To administer and collect the Business Tax, Payroll Expense Tax, Parking Tax, Utility Users Tax, Stadium Admission Tax, and Transient Occupancy Tax.
5. To provide for the centralized collection of accounts delinquent in excess of 90 days for all City and County departments except those under the jurisdiction of the Public Service Enterprises and to provide for the resolution of all delinquent taxpayer accounts.
6. To collect fees for licenses and permits which are required by Municipal Code, Part III; to collect the Dog License Fees; and to determine eligibility for preferential parking permits in selected residential areas and to collect fees for same.
7. To administer and account for the collection of Parking Meter Revenues.

A more detailed description of the function of each division is to be found in the body of this report. It is accompanied by individual program goal statements which are directed towards the achievement of timeliness and quality of service delivery. Their



main objective is to maximize the City's revenues and make possible the funding of other City and County functions and services.

#### HIGHLIGHTS

The Business Tax Division had another successful year. The Business and Payroll Tax was 100% of target, indicating a healthy and growing economy in San Francisco. Audit deficiency billings hit a record high, \$4,850,999 or eight times the cost of the audit program.

The License Bureau has continued to improve its computerized system of accounting and control of both residential parking and license files. The bureau is now able to process payments of licenses through the NCR Remittance Processing System. This capability has reduced time required for processing and posting of individual accounts. The average cost to revenue ratio was 13 percent.

In spite of the rising cost due to an increase in the number of meters, the Parking Meter Division was still able to keep cost below the target ratio of six percent.

Collections effectuated by the Bureau of Delinquent Revenue increased by \$1,979,145 or 96 percent without any staff increases. An On-Line computerized billing and tracking system was fully operational for fiscal year 1983-84.



The Legal Division had another banner year. Total dollar recovery was \$1,563,072.

The Investigation Division increased collections to \$4,692,352 as compared to \$3,600,088 last year, 30% higher. This was mainly accomplished by increased usage of the Summary Judgment Program to collect delinquent unsecured property taxes. Collection effectiveness was also outstanding. Dollars collected per field call was \$259.

The office experienced an outstanding real property tax peak collection. All processable remittances were completed in a record two days in comparison to four days in previous years, resulting in reduced float time of investible dollars.

Implementation of the collection of supplemental property taxes was accomplished by February 1984, making San Francisco one of the first counties to do so. Additional tax dollars collected in this fiscal year were \$3,318,114.

Future enhancements expected to be operational in 1984-85 which should materially increase our collection efficiency and our ability to serve the public more effectively are:

- a. Installation of word processing equipment to assist the Legal Division in handling more cases.
- b. Installation of electronic cash registers in our Cashier Division to improve internal control, teller accountability, effective cash handling, and more efficient balancing procedures.



- c. Increased utilization of our remittance processing equipment so that posting to individual taxpayer accounts will be faster and more accurate. New programs are being developed for License, Business Tax, and Supplemental Property Taxes.





## ADMINISTRATION

The fifth year of the administration's experience with Management by Objective (MBO) remained positive. With a continued goal of providing centralized administrative services for the department and support services to the programs and activities of the Tax Collector's Office, four objectives were set:

1. To complete at least three evaluation or work standard reports during fiscal year 1983-84.
2. To maintain administration at no more than 7 percent of the total department budget.
3. To ensure that at least 85 percent of the 1983-84 department objectives were met.
4. To develop and present one in-house training program per unit to improve staff efficiency and effectiveness.

The administration repeated its performance of 1982-83 by meeting all four objectives. The percentage of achievement of objective number 3 reached 94 percent. In addition, the total collections for 1983-84 were 8 percent higher than 1982-83.

This year new computerized systems were operational in the License Division and Bureau of Delinquent Revenue. This allowed us to handle a greater volume of work without having to increase staff; consequently providing increased cost savings to the taxpayer.



## CASHIER'S DIVISION

The Cashier Division is responsible and accountable for all cash and checks taken in over the counter and by mail for payment of taxes, licenses, and other revenues. Internal control is maintained by numeric identification and check microfilming. Each type of revenue is balanced separately and the sum of the revenue collected is deposited daily with the Treasurer's Office.

Mail is another responsibility of the Cashier Division. All mail is opened, sorted, and processed immediately. All checks with proper supporting documents are also processed. Checks that do not have proper supporting documents or need verification and identification are kept in the Cashier's Check Control Section. Photocopies of these checks are sent to the appropriate tax division for examination and identification. Effective September 1982, all outgoing mail is processed through the City Hall Mail Service System.

The Cashier's Division is also responsible for processing and accounting for the receipt of all collections, and was very successful in meeting its daily objective of processing all collections by the close of the same business day. The Real Estate second installment peak collection was completed within two days.

The comparison of collections shows that fiscal year 1983-84 exceeded 1982-83 by \$42,370,666. The total collected for the year was \$561,327,280 on 432,754 transactions.



#### UNIFORM SALES AND PURCHASE TAX

The State of California, acting as an agent, has collected the San Francisco Uniform Sales and Purchase Tax since 1958, with revenues minus collection costs returned to the City and County. The amount credited to San Francisco for fiscal year 1983-84 was \$64,606,879.

Beginning in September 1972, the Uniform Sales and Purchase Tax collected one quarter of one percent in taxes and remitted to the San Francisco Bay Area Rapid Transit District. For fiscal year 1983-84, the amount was \$16,125,236.



COMPARISON OF COLLECTIONS BY THE CASHIER'S DIVISION

| TYPE OF COLLECTION                       | 1983-84                  |                                 | 1982-83                  |                                 |
|------------------------------------------|--------------------------|---------------------------------|--------------------------|---------------------------------|
|                                          | Amount                   | Number of<br>Items<br>Processed | Amount                   | Number of<br>Items<br>Processed |
| Real Estate Tax                          | \$257,795,603            | 271,030                         | \$231,643,699            | 262,284                         |
| Real Estate<br>Supplemental Tax          | 3,447,421                | 3,151                           | --                       | --                              |
| Unsecured Personal<br>Property Tax       | 31,729,595               | 32,835                          | 28,600,993               | 33,668                          |
| Business Tax                             | 12,075,069               | 1,474                           | 11,430,562               | 2,119                           |
| Payroll Tax                              | 85,020,439               | 7,981                           | 83,723,687               | 11,103                          |
| Hotel Tax                                | 37,190,475               | 1,478                           | 34,870,505               | 1,503                           |
| Parking Tax                              | 12,024,240               | 1,086                           | 11,127,371               | 1,137                           |
| Utility Tax                              | 16,820,632               | 208                             | 21,840,914               | 416                             |
| Stadium Tax                              | 228,936                  | 7                               | 271,265                  | 3                               |
| Licenses                                 | 5,306,514                | 102,638                         | 4,995,920                | 108,055                         |
| Parking Meter                            | 6,377,896                | 253                             | 6,453,047                | 253                             |
| Retail Sales and<br>Local Transportation | 80,732,115               | 44                              | 74,002,166               | 25                              |
| Tax Redemption                           | 10,015,701               | 5,202                           | 7,689,145                | 4,857                           |
| Delinquent Revenue                       | 1,247,863                | 4,818                           | 660,292                  | 2,697                           |
| Other                                    | 1,314,782                | 549                             | 1,647,049                | 531                             |
| <br>TOTALS                               | <br><u>\$561,327,281</u> | <br><u>432,754</u>              | <br><u>\$518,956,615</u> | <br><u>428,651</u>              |

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## PROPERTY TAX DIVISION

The Tax Collector's Property Tax Division is responsible for collecting, recording and reporting of secured and unsecured property taxes. The division's other activities include processing refund claims for duplicate payments and tax overpayments; providing tax information to taxpayers, financial institutions, tax service agencies, and other interested parties; and related miscellaneous functions.

The main responsibility is the collection and the accounting for property taxes in excess of \$300 million. These taxes are composed of assessments against real estate and unsecured personal property, excaped assessments, SB 813 supplemental assessments, State Board of Equalization assessments on specified utilities and public corporations, collection of sidewalk repair charges, and delinquent water, refuse and sewer charges. Escaped assessments can be paid in installments over a period of five or eight years depending upon the date of enrollment. Enrollment on January 1, 1984 or thereafter limits installment payments to a five-year period. During 1983-84 there were 38 accounts enrolled in the eight-year plan and 16 accounts enrolled under the five-year plan.

Effective July 1, 1983, the State of California enacted SB (Senate Bill) 813 which resulted in supplemental assessments. Supplement assessments are prepared in accordance with Article XIII A of the California Constitution which generally



requires reappraisal of property whenever a change in ownership occurs or construction has been completed. This assessment is determined by difference between current year roll value (as determined on March 1st) and new base year value (as determined at time of ownership change or construction completion).

Supplemental tax bills are sent monthly and taxes are due on the date of mailing with a delinquent date being the last day of the succeeding month. Supplemental taxes are adjusted by a proration factor based upon the month of the new base year value. Since the program was fully implemented, the supplemental billing system and collection of taxes has operated smoothly with the largest difficulty being explaining these taxes to taxpayers.

Accounting records are maintained for collection activities and monthly reports, both internal and external, are generated as a result of these activities.

As payments are received, they are reviewed for accuracy. Complete payments are posted to the computer electronically through the NCR Remittance Processing System. Payments which are incorrect, unidentifiable, supplemental assessment or escaped assessment are processed manually for input into the computer record. Most incorrect payments result from over- or underpayments due to roll corrections by the Assessor's Office.

Monthly collection reconciliations are prepared with the results generating reports to management and the Controller detailing the collection activities. Additional reports are



prepared on a quarterly basis reflecting MBO actual performance against projected performance.

During 1983-84, a special project was instituted to reduce the backlog of refund claims of duplicate and overpayments from current and prior years. This project was made possible with assistance of funding for personnel displaced as a result of the Accelerated Testing Program. The results have been encouraging with sizeable reductions being made in the backlog. It is anticipated that this project will continue until December 31, 1984, at which time the funding will be discontinued.

The tax information inquiries relating to account status, payment records, assessments, and property ownership are received from a variety of sources. The largest source of inquiries are received from taxpayers pertaining to their taxes and payments. Other inquiries are from tax service agencies, title companies, and other interested parties. Inquiries are answered with the aid of microfiche and computer records along with computer printouts of tax records.

The division's MBO goals for 1983-84 were successfully met. The 1983-84 goals and results included:

- a. The mailing of non-penalty courtesy letters within seven days of receipt. A total of 4,850 letters were mailed within seven days.



- b. Complete mailing of all current year tax bills by November 1. Secured property tax bills were mailed by October 15, two weeks before the target date.
- c. Post and reconcile all secured property tax payments received by December 10 and April 10 within 60 days. The December 10 payments were reconciled within 50 days and the April 10 payments were reconciled within 40 days.
- d. Process within four days all payments received by December 10 and April 10. The December 10 payments were processed within three days and the April 10 payments were processed within two days.

The main factors for the division's 1983-84 success were the efforts of qualified personnel and improved management organization. For 1984-85, the division will continue its efforts to improve the collection and processing systems and procedures.





PROPERTY TAXES DIVISION  
COMPARATIVE COLLECTIONS REPORT

| TYPE<br>OF COLLECTION | 1983-84        |                      |                              | 1982-83        |                      |                              |
|-----------------------|----------------|----------------------|------------------------------|----------------|----------------------|------------------------------|
|                       | Quantity       | Amount               | Percent<br>of Roll<br>Unpaid | Quantity       | Amount               | Percent<br>of Roll<br>Unpaid |
| <u>SECURED</u>        |                |                      |                              |                |                      |                              |
| Current Year          |                |                      |                              |                |                      |                              |
| Taxes                 | 308,322        | \$255,596,526        | 3.59%                        | 302,107        | \$230,039,284        | 3.70%                        |
| Penalties             |                | 772,418              |                              |                | 828,096              |                              |
| Total                 |                | <u>\$256,368,944</u> |                              |                | <u>\$230,867,380</u> |                              |
| Prior Years           |                |                      |                              |                |                      |                              |
| Taxes                 | 5,215          | \$ 8,457,584         |                              | 5,031          | \$ 6,993,263         |                              |
| Penalties             |                | 1,693,004            |                              |                | 1,360,694            |                              |
| Total                 |                | <u>\$ 10,150,588</u> |                              |                | <u>\$ 8,353,957</u>  |                              |
| <u>UNSECURED</u>      |                |                      |                              |                |                      |                              |
| Prepaid               | 6,981          | \$ 355,126           |                              | 7,453          | \$ 432,122           |                              |
| Current               | 32,024         | 30,445,969           | 6.70%                        | 33,344         | 27,512,066           | 3.46%                        |
| Delinquent            | 1,084          | 794,164              |                              | 951            | 472,699              |                              |
| Total                 |                | <u>\$ 31,595,259</u> |                              |                | <u>\$ 28,416,887</u> |                              |
| <u>Supplemental</u>   |                |                      |                              |                |                      |                              |
| <u>SECURED</u>        |                |                      |                              |                |                      |                              |
| Taxes                 | 3,161          | \$ 3,313,500         | 39.38%                       | --             | --                   |                              |
| Penalties             |                | 4,614                |                              |                |                      |                              |
| Total(1)              |                | <u>\$ 3,318,114</u>  |                              |                |                      |                              |
| <u>UNSECURED</u>      |                |                      |                              |                |                      |                              |
| Taxes                 | 19             | 16,388               | 77.60%                       | --             | --                   |                              |
| TOTAL COLLECTIONS     | <u>356,806</u> | <u>\$301,449,293</u> |                              | <u>348,886</u> | <u>\$267,638,224</u> |                              |

(1) Total does not include duplicates, overpayments or transfers as reflected in Cashier's total of \$3,447,421.



## TAX REDEMPTION BUREAU

The Tax Redemption Bureau computes and processes payments of delinquent property taxes. It maintains complete listings and accounting records of delinquent property taxes as to original taxes, delinquent penalty, cost, State redemption fee, redemption penalty, and unpaid balances if the taxes are being paid under the five-year installment payment plan. Consequently, it handles a large volume of telephone calls and correspondence as to the interpretation of the Revenue and Taxation Code of the State of California, current tax status, and the computation of taxes and penalty from the general public, title insurance companies, mortgage companies, savings and loan companies, and tax service institutions. Its effective functioning demands a close working relationship with the offices of the City Controller, the Assessor, and the State Controller in Sacramento.

The Bureau also prepares lists of real property sold to the State and deeded to the State, and arranges for publication of this information in a local newspaper in compliance with the laws of the State of California.

1. As to the secured property taxes that became delinquent in years prior to June 30, 1984, \$9,312,489 was collected during 1983-84. Please refer to Schedule A for month by month breakdown and Schedule B for year by year breakdown.



2. On June 29, 1984, 4,696 parcels were sold to the State compared to 4,501 on June 30, 1983.
3. On July 6, 1984, 24 parcels were deeded to the State against 34 on July 8, 1983.
4. In 1983-84, 7,743 parcels were redeemed, compared to 6,410 in 1982-83.

An on-line automated financial system to maintain accounting records for delinquent Real Estate taxes was installed in the Redemption Bureau. This new system consists of on-line inquiry, on-line record updates and on-line payment recording features. Under the old system, delinquent tax payments were recorded and processed manually with updates to the master file made by card input.

The revenue total for the Tax Redemption Bureau of \$9,312,489 reflects the total for all parcels fully redeemed during the fiscal year. The Cashier's total of \$10,015,701 includes only those payments actually received during the 1983-84 fiscal year. This total is composed of payments that redeemed parcels and are counted in the Redemption Bureau totals; and installment payments made against parcels not yet completely redeemed which are not included in the Redemption Bureau total.



# SCHEDULE A

## FULL REDEMPTION BY MONTH 1983-84 COLLECTIONS BY MONTH

|           | <u>Taxes</u>       | <u>Delinquent<br/>Penalties</u> | <u>Cost</u>     | <u>Redemption<br/>Fee</u> | <u>Redempt.<br/>Penalty</u> | <u>Total</u>       |
|-----------|--------------------|---------------------------------|-----------------|---------------------------|-----------------------------|--------------------|
| July 1983 | \$ 667,074         | \$ 58,144                       | \$2,327         | \$1,497                   | \$ 45,776                   | \$774,818          |
| Aug "     | 1,355,209          | 116,623                         | 4,721           | 3,437                     | 74,508                      | 1,554,498          |
| Sep "     | 685,150            | 57,876                          | 3,169           | 2,651                     | 64,671                      | 813,517            |
| Oct "     | 866,294            | 73,843                          | 3,157           | 2,482                     | 103,623                     | 1,049,399          |
| Nov "     | 842,839            | 73,101                          | 3,936           | 3,047                     | 98,294                      | 1,021,217          |
| Dec "     | 971,337            | 84,316                          | 3,433           | 2,610                     | 122,728                     | 1,184,424          |
| Jan 1984  | 486,578            | 43,365                          | 2,002           | 1,535                     | 77,832                      | 611,312            |
| Feb "     | 356,302            | 29,777                          | 1,408           | 1,109                     | 59,715                      | 448,311            |
| Mar "     | 360,204            | 29,518                          | 1,346           | 978                       | 71,865                      | 463,911            |
| Apr "     | 413,530            | 36,727                          | 1,675           | 1,172                     | 86,535                      | 539,639            |
| May "     | 308,882            | 25,954                          | 1,121           | 825                       | 67,587                      | 404,369            |
| Jun "     | 340,080            | 29,104                          | 1,577           | 1,124                     | 75,189                      | 447,074            |
| TOTAL     | <u>\$7,653,479</u> | <u>\$658,348</u>                | <u>\$29,872</u> | <u>\$22,467</u>           | <u>\$948,323</u>            | <u>\$9,312,489</u> |

# SCHEDULE B

## COLLECTIONS BY FISCAL YEAR

|         | <u>Taxes</u>       | <u>Delinquent<br/>Penalties</u> | <u>Cost</u>     | <u>Redemption<br/>Fee</u> | <u>Redempt.<br/>Penalty</u> | <u>Total</u>       |
|---------|--------------------|---------------------------------|-----------------|---------------------------|-----------------------------|--------------------|
| 1974-75 | \$ 3,685           | \$ 221                          | \$ 21           | \$ 56                     | \$ 13,192                   | \$ 17,175          |
| 1975-76 | 10,236             | 614                             | 33              | 57                        | 12,116                      | 23,056             |
| 1976-77 | 37,438             | 2,246                           | 84              | 250                       | 37,558                      | 77,576             |
| 1977-78 | 40,768             | 2,445                           | 144             | 560                       | 18,190                      | 62,107             |
| 1978-79 | 52,565             | 3,189                           | 258             | 235                       | 37,323                      | 93,570             |
| 1979-80 | 178,578            | 10,742                          | 673             | 775                       | 102,331                     | 293,099            |
| 1980-81 | 397,950            | 23,721                          | 1,326           | 1,439                     | 124,802                     | 549,238            |
| 1981-82 | 1,458,224          | 85,508                          | 6,953           | 5,120                     | 368,075                     | 1,923,880          |
| 1982-83 | 5,474,035          | 529,662                         | 20,380          | 13,975                    | 234,736                     | 6,272,788          |
| TOTAL   | <u>\$7,653,479</u> | <u>\$658,348</u>                | <u>\$29,872</u> | <u>\$22,467</u>           | <u>\$948,323</u>            | <u>\$9,312,489</u> |

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## BUSINESS TAXES DIVISION

Under the direction of the Chief Auditor, the Business Taxes Division is responsible for the administration of the Business Tax, Payroll Expense Tax, Parking Tax, Hotel Transient Occupancy Tax, and Stadium Operator Admission Tax. The administration of these taxes involves the maintenance of taxpayer files, collection of taxes, processing tax statements, accounting for tax receipts, tax information, taxpayer assistance and other related tasks.

Currently there are approximately 58,000 active taxpayer accounts registered under the Business Tax, plus approximately 1,000 accounts under the other taxes. These accounts require continuous service to maintain the current status of each taxpayer.

In order to ensure that all businesses subject to the Business and Payroll Expense taxes were registered, special projects were developed in both the Business Taxes and Investigation Divisions to verify registration status. The Business Taxes Division's project is designed to ensure that all condominium developments are registered. The project is staffed by personnel displaced by the Accelerated Testing Program and funded by special funding for these employees. This project will continue until this funding is discontinued on December 31, 1984.



Although the Business Taxes Division does not actually receive and deposit tax payments, in cash or by checks, it must scrutinize each tax statement to ascertain accuracy and propriety and to provide for proper accounting of tax monies.

Taxpayer information and assistance are also important functions. Numerous inquiries from taxpayers and potential taxpayers, in person or by telephone, are received and answered daily. It is of great importance that correct information is promptly given to enhance taxpayer compliance.

The audit program is also vital in the administration of the taxes. The audit staff is responsible for enforcement of tax ordinances and regulations. It is also the responsibility of the audit staff to recover unpaid tax revenue for the City and County. In carrying out its duties, the audit staff performed 1,123 audits and recovered \$4,783,397 of tax deficiency in the fiscal year.

The 1983-84 MBO objectives for the Business Taxes administration were:

1. To maintain or reduce the number of delinquent accounts to be transferred to Investigation Division for collection.
2. To process 90 percent of the tax statements received by March 1 within 13 working days.
3. To send out determination statements to all delinquent taxpayers before July 1, 1984.



4. To maintain the maximum personnel cost per transaction processed by the Transaction Control Unit under \$1.84.
5. To resolve 90 percent of Cashier inquiries within 24 hours of receipt.
6. To test Business/Payroll Tax instructions on non-Tax Collector personnel before sending to the taxpayer.
7. To reconcile each month's collections during peak collection periods no later than 15 days after month end.

The audit program objectives were:

1. To achieve a recovery rate of at least \$125 per audit hour based on ordinary billing.
2. To produce .07 audit per hour.
3. To produce a ratio of four times the tax recovery to cost.

All the 1983-84 MBO objectives were met by the division except the objective for reconciling tax receipts. An extra day was required in April due to the training of a newly hired account clerk.

The operating highlights of the Business Taxes Division are summarized as follows.



| TAX COLLECTIONS:                    | Actual<br>Collections<br><u>1983-84</u> | Actual<br>Collections<br><u>1982-83</u> |
|-------------------------------------|-----------------------------------------|-----------------------------------------|
| Payroll/Business Tax                | \$ 97,095,508                           | \$ 95,154,248                           |
| Parking Tax (transfers<br>included) | 12,165,080(2)                           | 11,244,997(2)                           |
| Utility Tax (transfers<br>included) | 17,184,063(2)                           | 22,537,345(2)                           |
| Hotel Tax                           | 37,190,475                              | 34,870,504                              |
| Stadium Tax                         | 228,936                                 | 271,266                                 |
|                                     | <u>\$163,864,062</u>                    | <u>\$164,078,360</u>                    |

| AUDIT RESULTS:                                        | MBO Targets<br><u>1983-84</u> | Actual<br><u>1983-84</u> | Actual<br><u>1982-83</u> |
|-------------------------------------------------------|-------------------------------|--------------------------|--------------------------|
| Audit Hours                                           | n/a                           | 14,847                   | 13,054                   |
| Audits Completed                                      | 1,250                         | 1,123                    | 1,002                    |
| Average Hours Per Audit                               | 14                            | 13.2                     | 13                       |
| Total Deficiency Billings                             | \$2,337,600                   | \$4,850,999(1)           | \$3,577,006(1)           |
| Average Billings Per Audit                            | 1,855                         | 4,319                    | 3,569                    |
| Average Billings Per Audit<br>Hour on Ordinary Audits | 125                           | 161                      | 192                      |

|                                   | <u>1983-84</u>     | <u>1982-83</u>     |
|-----------------------------------|--------------------|--------------------|
| (1) Total Billings:               | \$4,850,999        | \$3,577,006        |
| Less Extraordinary Audit Billings | <u>2,265,864</u>   | <u>1,091,717</u>   |
| Ordinary Audit Billings           | <u>\$2,585,136</u> | <u>\$2,485,295</u> |

(2) Reconciliation Between Cashier's Collections and Revenues Realized:

|                   | <u>1983-84</u>      | <u>1982-83</u>      |
|-------------------|---------------------|---------------------|
| Parking Tax:      |                     |                     |
| Cash Collection   | \$12,024,239        | \$11,127,370        |
| Transfers         | 140,841             | 117,627             |
| Total Parking Tax | <u>\$12,165,080</u> | <u>\$11,244,997</u> |
| Utility Tax:      |                     |                     |
| Cash Collection   | \$16,820,632        | \$21,840,915        |
| Transfers         | 363,431             | 696,430             |
| Total Utility Tax | <u>\$17,184,063</u> | <u>\$22,537,345</u> |

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## BUREAU OF DELINQUENT REVENUE

The Bureau was established in 1935 by Ordinance No. 9.0231 and serves as the official collection agency for the City and County of San Francisco. The Bureau has two collection functions: One, collection of delinquent account receivables over 90 days old for all City and County departments except the Port Authority, Department of Social Services, and Departments under the jurisdiction of the Public Utilities Commission. Two, collection of various taxes on individuals and businesses entering in escrow or bankruptcy.

A substantial increase in workload was caused by the Department of Public Health updating its building and computer system in 1982. The increased workload without concomitant increase to staff or labor saving equipment was detrimental to the Bureau's ability to function adequately during fiscal year 1982-83. As a corrective measure, the Bureau implemented an on-line computer system and obtained a work order from San Francisco General Hospital.

The implementation of the computer system has been rewarding. The system has reduced the voluminous paperwork substantially by allowing a tape to tape transfer of San Francisco General Hospital accounts which saves the Bureau approximately 60 man-hours per month and permits billing of delinquent accounts 20-30 days earlier. The computer program also produces a series of four letters on a systematic basis. In



previous years, the Bureau was on a manual billing system and due to the workload, was unable to bill cases in an effective manner. The computerized letter system provides the first step to an effective approach to the collection of delinquent accounts.

For fiscal year 1984-85, an increase in cash collections looks promising. However, because of changes in Medi-Cal eligibility regulations, it will be more difficult for the Bureau to obtain Medi-Cal stickers for medical services rendered to indigent adults at San Francisco General Hospital. Many of those previously eligible will now fall under the Medically Indigent Adult program (MIA) for which the County receives a specific grant from the State. As such, payments directly paid to San Francisco General Hospital should fall by approximately 40%.

The collection of taxes through escrow and bankruptcy should also decrease by approximately 40%. The decrease is partially due to the \$2,500 Business Tax exemption established in 1982. Another reason for the decrease is due to the current economic recovery. There has been a decrease in the sale and the filing of bankruptcy by large businesses. Currently, a majority of the workload is generated by small companies or sole proprietorships that fall within the range of the \$2,500 Business Tax exemption. However, the Escrow and Bankruptcy Section plays an intricate role in the Tax Collector's enforcement policy. Therefore, all businesses regardless of size must be checked for delinquent taxes when filing escrow or bankruptcy.



# BUREAU OF DELINQUENT REVENUE STATISTICAL ACTIVITY

| <u>COLLECTIONS</u>      | <u>FY 1983-84</u>    | <u>FY 1982-83</u>    |
|-------------------------|----------------------|----------------------|
| Dept. of Public Health  | \$1,127,634(1)       | \$546,930(1)         |
| Payments Direct to SFGH | 1,837,271            | 812,669              |
| All Other Departments   | 120,229(1)           | 113,361(1)           |
| Taxes                   | <u>947,874</u>       | <u>580,903</u>       |
| Total Collections       | \$4,033,008<br>===== | \$2,053,863<br>===== |

## OTHER DELINQUENT ACCOUNT DATA

|                                   |       |       |
|-----------------------------------|-------|-------|
| Total No. of Outstanding Accounts | 9,377 | 8,785 |
| Total No. of Abandonments         | 2,287 | 1,380 |
| Total No. of Collections          | 6,167 | 5,471 |

NOTE: (1) To reconcile with Bureau of Delinquent Revenue's  
monthly report.

| <u>COLLECTIONS</u>              | <u>FY 1983-84</u>    | <u>FY 1982-83</u>  |
|---------------------------------|----------------------|--------------------|
| Dept. of Public Health          | \$1,127,634          | \$546,930          |
| All Other Depts.                | <u>120,229</u>       | <u>113,361</u>     |
| Delinquent Accounts Y-T-D Total | \$1,247,863<br>===== | \$660,291<br>===== |



## INVESTIGATION DIVISION

The Investigation Division functions in a staff capacity providing field accommodations for other departments in the Tax Collector's Office. The division undertakes those investigations which are essential to ensure that the codes and ordinances regulating the activities of the Tax Collector's Office are compiled with.

Investigators must be keenly aware of the business activities in their respective districts to be certain that all licenses are current and valid and that all businesses are registered with the Business Taxes Division. They support the Legal Division by serving legal documents and compiling reports which aid in the preparation of court cases.

A special project was initiated in 1983-84 with the aid of personnel displaced as a result of the Accelerated Testing Program and special funding for these personnel. This project was developed to assist investigators in the registration of businesses for the Business and Payroll Expense Taxes. One individual has been assigned to cover all districts through office and field activities to discover unregistered businesses. This project has been successful but will terminate on December 31, 1984 when the special funding is discontinued.

The division enjoyed an excellent year. It successfully met or surpassed all of its objectives, and 1983-84 was the first year that the division exceeded its goal in making field calls.





Not only was the revenue target exceeded, but the division recommended that for MBO purposes, the target be increased. The projected 1984-85 target for revenue collection will be 4.5 million dollars.

The 1983-84 objectives were:

1. Follow-up contact on all delinquent accounts in excess of \$400.00 within one year of receipt.
2. To notify by mail 70% of taxpayers with delinquent accounts of \$400.00 or less.
3. To have 2% of all field investigations reviewed by supervisory personnel through taxpayer contact.
4. To maintain current number of field calls.



STATISTICAL ACTIVITY:

| 1. COLLECTION ACTIVITY               | <u>1983-84</u> | <u>1982-83</u> |
|--------------------------------------|----------------|----------------|
| Collections Made                     | \$4,692,352    | \$3,600,088    |
| Calls Made                           | 18,120         | 17,869         |
| Average Collection per Call          | 259            | 201            |
|                                      |                |                |
| 2. <u>CASES FILED AND INSTITUTED</u> |                |                |
| Small Claims Court                   | 43             | 39             |
| Municipal/Superior Court             | <u>105</u>     | <u>205</u>     |
| Total Accounts Submitted for Suit    | <u>148</u>     | <u>244</u>     |
|                                      |                |                |
| 3. <u>INVENTORY OF ACCOUNTS</u>      | <u>1983-84</u> | <u>1982-83</u> |
| Accounts Open at Start of Year       | 31,447         | 28,127         |
| Accounts Received During Year        | <u>11,951</u>  | <u>9,904</u>   |
| Subtotal                             | 43,398         | 38,031         |
| Accounts Closed During Year          | <u>(9,899)</u> | <u>(6,584)</u> |
| Accounts Open at End of Year         | <u>33,499</u>  | <u>31,447</u>  |
|                                      |                |                |
| 4. <u>OTHER ACTIVITY</u>             |                |                |
| Certificate of Lien on File          | 5,191          | 2,941          |
| Abandonment Recommendations          | 250            | 190            |



## LEGAL DIVISION

Legal Division's principal objective remains the enforcement of monetary obligations in favor of the Tax Collector by means of either civil litigation process or other legal instruments, such as claim of lien or creditor claim. In addition to civil litigation, Legal Division renders legal advice to other Tax Collector Divisions, recommends and prepares municipal legislation, prepares contracts, consensual liens, and other forms for use by its primary client divisions in the Tax Collector Office, i.e., Business Taxes and Bureau of Delinquent Revenue (BDR). As a separate operating division, Legal Division has its own administrative reporting and personnel responsibilities.

The division is allocated four employees to carry out its objective. The funding for a Legal Assistant comes from a work order from Laguna Honda Hospital.

The litigation priority for the year was to bring to trial as many contested cases as possible. Three BDR cases were settled out of court when the court trial date was finally established. One, as Laguna Honda account, accumulated to over \$100,000. The case was settled by the conservator granting the City a lien on an unencumbered real estate parcel in San Francisco. Although no cash was deposited in the City treasury, the lien will be paid with interest upon the death of the elderly conservatee. At least two other substantial Laguna Honda claims were secured in this manner. In addition, the Division litigated other property



damage cases and delinquent permit claims culminating in either judgment for the City or an out-of-court settlement. The Legal Assistant was actively involved in all these cases preparing the complaint, pretrial discovery, and gathering documentary evidence to support the claim.

The Legal Assistant was given written training outlines for preparing Business Tax complaints. As a result, most of the business tax complaints and written pre-trial discovery were prepared by the Legal Assistant.

Two substantial business tax cases were called for trial. The second Carpenter Administrative Fund case was settled out of court when the defendant paid taxes, penalties and interest due and filed refund claims. The first Carpenter Funds case is still pending before the California Court of Appeal. The 1500 Sutter Hotel tax delinquency came to trial in Superior Court with a favorable judgment for the City.

The division implemented the Franchise Tax Board's Withholding Interagency Offsets program, whereby the City may send as list of judgment debtors to the Franchise Tax Board (FTB) and request that the judgment debtor's income tax refunds be withheld up to the amount of the judgment debt. Sixty-seven (67) names along with social security numbers of judgment debtors were submitted of which 56 were matched to names of valid tax filers on FTB records. Recovery of \$1,359.63 was made from six debtors. The program administrative effort is very slight.





One Legal Stenographer and the Legal Assistant positions were vacant in the fourth quarter, resulting in a decline of new cases filed.

Several positive changes are anticipated for 1984-85; vacant positions should be filled and a Wang OIS word processing system installed. Also, a replacement for a ball carriage typewriter will be obtained. The result of these changes will allow the division to increase the target level of total collections on the MBO report to \$1,000,000.

The statistical performance by the Legal Division for 1983-84 is shown by the following summary.



| <u>BUREAU OF DELINQUENT REVENUE</u>    | <u>1983-84</u> | <u>1982-83</u> |
|----------------------------------------|----------------|----------------|
| No. of Complaints Filed                | 13             | 28             |
| No. of Abstracts of Judgments Recorded | 10             | 23             |
| Dollar Recovery                        | \$411,775      | \$223,604      |

BUSINESS TAX

|                                       |             |             |
|---------------------------------------|-------------|-------------|
| No. of Complaints Filed               | 49          | 31          |
| No. of Abstracts of Judgment Recorded | 24          | 29          |
| Dollar Recovery                       | \$1,151,297 | \$1,400,951 |

LEGAL DIVISION TOTALS

|                       |             |             |
|-----------------------|-------------|-------------|
| Total New Complaints  | 62          | 59          |
| Total New Abstracts   | 34          | 52          |
| Total Dollar Recovery | \$1,563,072 | \$1,624,555 |



Statistical Performance Broken Down by Quarters:

|                           | QUARTERS |          |           |           | Total     |
|---------------------------|----------|----------|-----------|-----------|-----------|
|                           | 1st      | 2nd      | 3rd       | 4th       |           |
| <u>DELINQUENT REVENUE</u> |          |          |           |           |           |
| Complaints Filed          | 7        | 1        | 3         | 2         | 13        |
| Abstracts Recorded        | 5        | 4        | 1         | 0         | 10        |
| Dollar Recovery           | \$31,530 | \$46,091 | \$109,607 | \$224,547 | \$411,775 |

BUSINESS TAX

|                    |           |           |           |           |             |
|--------------------|-----------|-----------|-----------|-----------|-------------|
| Complaints File    | 9         | 14        | 16        | 10        | 49          |
| Abstracts Recorded | 3         | 6         | 2         | 13        | 24          |
| Dollar Recovery    | \$229,744 | \$197,674 | \$183,374 | \$540,505 | \$1,151,297 |



## LICENSE DIVISION

The License Division is the central collection agency for those fees required by Part III of the Municipal Code including dog licenses. The primary function of the License Division is to collect these regulatory fees from that segment of the public engaged in business in San Francisco. The fees are used to defray the cost of inspections by the Police, Fire, Public Health and Public Works Department. The division also administers the residential parking program, which encompasses twelve areas of the City as established by the Board of Supervisors. With regard to this function, the License Division is responsible for determining the eligibility of the applicant, the collection of the necessary fees and the issuance of permit stickers.

All program objectives were met or exceeded by the License Division in 1983-84. The objectives were as follows:

1. To provide the Investigation Division with a listing of all delinquent apartment house license renewals by February 15th.
2. To maintain the current rate of delinquent licenses.
3. To investigate all questionable parking stickers referred by the public or traffic control, cancelling those in illegal use.
4. To process 100% of licenses or permits within 30 calendar days after respective deadlines or expiration dates.





5. To file 100% of licenses and permits within 45 calendar days after respective deadlines or expiration dates.
6. To reconcile file changes and payments within 20 days of the end of the month.

With the continuing success of the new direct data entry system, both residential parking and license files are accurately maintained daily. Renewal notices and statements of license fees due are generated by the system and file updates are quickly made. This procedure enabled the division to easily meet the February 15th deadline for providing investigation with a list of delinquent apartment houses. Additionally, other department goals are more readily achieved through the use of this system.

The License Division's revenue forecast for 1983-84 was \$5,184,000. Total actual collections were \$5,306,516, which is an increase of \$122,516 over the forecast but an actual increase of \$310,595 over 1982-83 revenue collections. The additional amount can partially be attributed to the increase in fees for the food product and marketing class and the food preparation and service class. Revenue would have been somewhat higher but for the slow returns on dog license renewals, which was due to some confusion on the part of the public with the renewal notices. Efforts are underway, however, to obtain funds to computerize the dog license renewals, which should eliminate much of the confusion and handling of the renewals. The additional revenue will be shown in 1984-85 collections.



Again this year, the License Division has utilized the talents and skills of ten students from the Summer Youth Program. They were primarily responsible for issuing renewals of dog licenses, though they also processed parking permits and assisted the public at the counter. Their assistance has been invaluable.

The second half of the fiscal year saw the addition of a Chief Clerk to the division staff as well as changes in several key personnel positions. Emphasis has been placed on public service over the counter and telephone. Tighter controls have been effected in the issuance of parking permits, particularly with regard to businesses. Penalty payment have been actively pursued with results evident in the increased revenue.

The division goals are to continue to give the public the best possible service while striving to meet or exceed revenue estimates. To assist in that pursuit, in September 1984 the division will begin testing direct deposit of apartment house license renewals through the NCR Remittance Processing System. This equipment will expedite the process of over-the-counter renewals and eliminate with fee tag receipts for payments by cash and check. It is anticipated that full implementation of direct deposit processing of all licenses will be completed by December 31, 1984.

Effective July 1, 1984, the License Division will no longer be under the direction of the Business Taxes Division but will become a separate operating unit reporting directly to the Deputy Tax Administrator.



Through the continued efforts of the staff, revenue will continue to increase and the public will continue to be attended with quality service.

COMPARISON OF 1983-84 AND 1982-83 STATISTICAL ACTIVITY

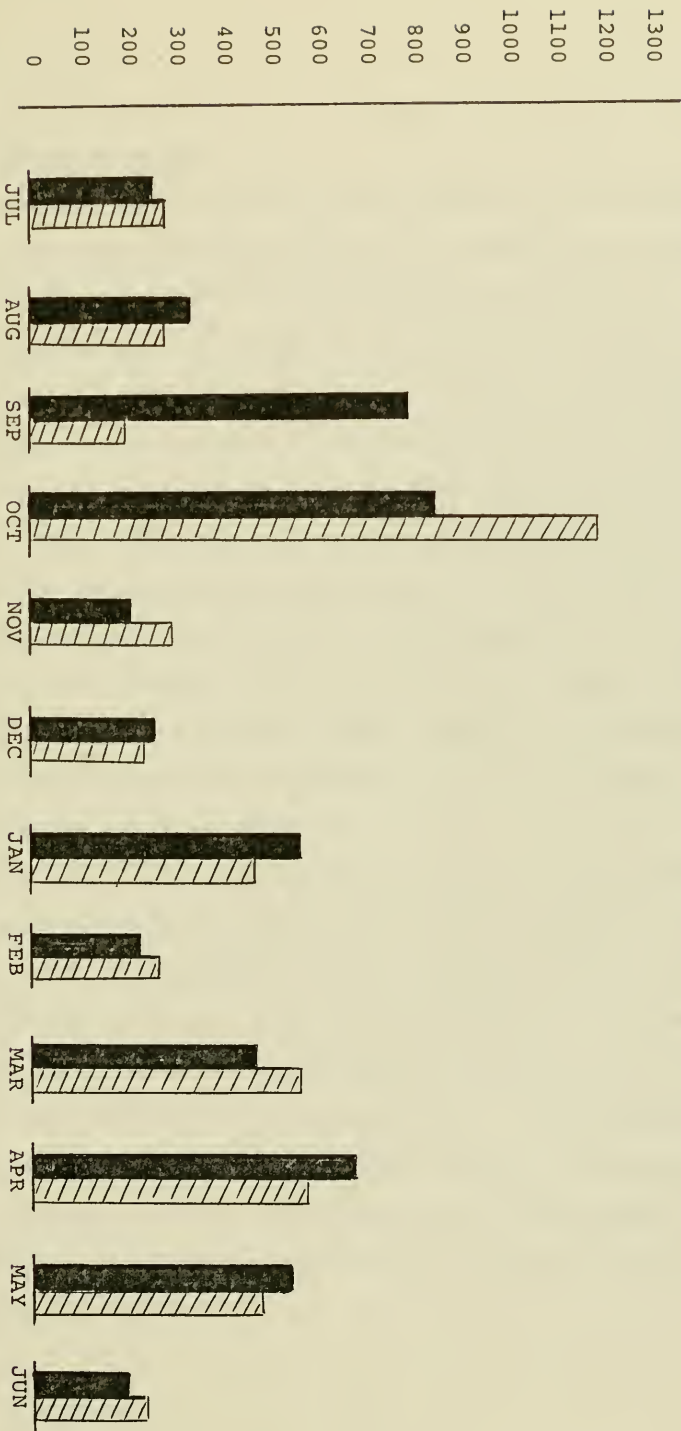
|                          | <u>1983-1984</u> |                    | <u>1982-1983</u> |                    |
|--------------------------|------------------|--------------------|------------------|--------------------|
|                          | <u>Quantity</u>  | <u>Amounts</u>     | <u>Quantity</u>  | <u>Amounts</u>     |
| General Business         | 23,000           | \$2,271,172        | 22,972           | \$2,215,905        |
| Vehicles                 | 781              | 54,565             | 813              | 56,751             |
| Food Product & Marketing | 1,802            | 426,836            | 1,744            | 400,537            |
| Miscellaneous            | 4,415            | 100,614            | 4,451            | 108,739            |
| Dogs                     | 16,881           | 97,325             | 25,249           | 147,720            |
| Food Prep & Service      | 5,934            | 1,640,902          | 4,684            | 1,382,911          |
| Parking Permits          | 48,011           | 440,271            | 46,291           | 404,586            |
| Fire Dept. Licenses      | <u>1,814</u>     | <u>274,828</u>     | <u>1,850</u>     | <u>278,772</u>     |
| GRAND TOTAL              | <u>102,638</u>   | <u>\$5,306,513</u> | <u>108,054</u>   | <u>\$4,995,921</u> |

Difference from 1982-83 results:

-5,416      +\$310,592



OFFICE OF TAX COLLECTOR  
 LICENSE DIVISION  
 MONTHLY REVENUE CHART  
 COMPARISON FISCAL YEARS 1983-1984 AND 1982-1983  
 THOUSAND DOLLARS



LEGEND:

- 1983-84  
 - 1982-83

TOTAL ANNUAL REVENUE

1983-84 \$5,306,513  
 1982-83 \$4,995,921  
 DIFFERENCE \$ 310,592





## PARKING METER DIVISION

The Parking Meter Division administers the collection, sorting, counting and depositing of all parking meter revenues within the City and County of San Francisco except for those of the Port Authority. In addition, the division compiles and analyzes the statistical information available from those collections for the purpose of minimizing the cost to the City and County, while maximizing the revenue from this activity. Both the actual collection of revenues as well as the sorting, counting and depositing are done by outside contractors under the authorization of Section 8.300-1 (Proposition "J") of the Charter of the City and County. For fiscal 1983-84, Brinks, Inc. continued to do the collection under contract while Security Pacific Bank became the new contractor for the sorting, counting and depositing of these funds.

Fiscal 1983-1984 saw a dramatic increase in the number of parking meters on the streets as well as in the City's off-street parking lots. At the end of fiscal 1982-1983 there was a total of 16,049 parking meters. By June 30, 1984, the City had increased that number to 16,785 meters of which 15,756 are on the streets and 1,029 are in off-street lots. This represents an increase of 736 meters with new installations continuing. Part of this increase is due to the completion of the double-decking of the Marina and Mission-Bartlett Lots, but most of the new meters are on the street.



The Management by Objective goal for the division was to maintain costs under 6% of revenues. This was achieved although revenues fell by a little over one percent. This decline in revenues is partially the result of increased sales of the Contractors Parking Permit; partially the result of the long period that the Mission-Bartlett Lot was closed but it also represents the dislocations to drivers over long periods when a considerable number of City streets were being resurfaced. There was also an eight percent increase in the number of meters jammed each month. Yet the average collection day was \$25,209 as against \$25,405 for the previous fiscal year.



# STATISTICS

| <u>AREA</u>     | <u>1983-84</u>     | <u>1982-83</u>     |
|-----------------|--------------------|--------------------|
| Zone 1          | \$1,643,114        | \$1,642,118        |
| Zone 2          | 1,496,062          | 1,513,619          |
| Zone 3          | 1,572,856          | 1,584,399          |
| Zone 4          | 1,442,165          | 1,449,719          |
| Dept. of Elec.  | 15,588             | 13,999             |
| Off-Street Lots | <u>208,104</u>     | <u>249,119</u>     |
| TOTAL           | <u>\$6,377.896</u> | <u>\$6,453,047</u> |

## RATE DISTRIBUTION OF METERS

|                     |                  | <u>1983-84</u> | <u>1982-83</u> |
|---------------------|------------------|----------------|----------------|
| 8 hour limit at     | \$.20 per hour   | 100            | --             |
| 2 hour limit at     | .20 per hour     | 1,632          | 1,290          |
| 1 hour limit at     | .20 per hour     | 8,771          | 8,694          |
| 1 hour limit at     | .50 per hour     | 3,940          | 3,846          |
| 30 min. limit at    | .50 per 1/2 hour | 1,506          | 1,464          |
| 30 min. limit at    | .10 per 1/2 hour | 470            | 470            |
| 10 hour limit at    | .05 per hour     | <u>366</u>     | <u>285</u>     |
| (motorcycle stalls) |                  | <u>16,785</u>  | <u>16,049</u>  |









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1984-85

# TREASURER/TAX COLLECTOR

## ANNUAL REPORT

### 1984-1985

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MARY I. CALLANAN

TREASURER



ANNUAL REPORT OF THE TREASURER-TAX COLLECTOR  
CITY AND COUNTY OF SAN FRANCISCO  
AS OF JUNE 30, 1985  
FOR  
FISCAL YEAR 1984-1985

SYNOPSIS

The Office of Treasurer of San Francisco is an elective office which has been in existence since 1850. In fact, during the period from 1850 to 1856 there were two treasurers - one for the City and one for the County, since prior to 1856 San Francisco County embraced nearly all of San Mateo County. Following the Consolidation Act of 1856, San Francisco became a combined City and County. We are the only combined City and County in the State of California.

The Treasurer is basically the banker and investment officer for the citizens of San Francisco. In July of 1979 a Charter amendment added the office and duties of Tax Collector to the responsibilities of the Treasurer. The following report, dealing specifically with the fiscal year ended June 30, 1985, contains comparative statistics and information covering the past five years of investment activity and four years of tax collector revenues.

In managing the investment functions and day-to-day operations of a cash management program, the Treasurer is responsible for an overall portfolio which is, at the present time, slightly under \$991 Million. In administering this portfolio the basic objectives, in order of priority, are 1) the preservation of capital, 2) availability of funds, and 3) yield (favorable return on investment without undue compromise of the first two objectives). We are guided in our choice of investment by the California State Government Code which



allows for a fairly wide range of investment alternatives, such as Time Deposits in banks and savings and loan associations, Negotiable Certificates of Deposits, U. S. Treasury Bills, Notes and Bonds, various Federal Agencies issues, Bankers Acceptances and Commercial Paper. Strictly excluded from allowable investments are such things as real estate and common stock.

Each month the entire portfolio is "marked to market". This report and other details of performance activity and results are submitted to the Mayor and the Board of Supervisors. Return on investment is among the highest in the State and the portfolio reflects the highest quality of investment alternatives. We are proud of our accomplishments over the past five years having earned over \$514 Million with full liquidity and safety of all funds.

In managing the cash flow of the City and County the Treasurer works closely with all departments to assure that all funds due are received and deposited as quickly as possible. In order to accomplish this the Treasurer has negotiated contracts with various banks for such things as lockbox and credit card services. The treasurer's office disburses cash for approximately 2 million warrants issued by the Controller, amounting to over \$2 Billion each year. It should be noted that the treasurer's office does not issue warrants, nor have any control over the budget approvals or expenditures. We make sure the cash is available to honor warrants issued to cover approved expenditures. In addition, we receive, verify and pay all matured general obligation bonds and coupons amounting to over \$40 Million per year.



The tax collection responsibility of the Treasurer includes the collection of Real Estate Taxes, numerous Licenses and Permits, Business Taxes, Investigations, Parking Meters, and the collection of Delinquent Accounts due to other City departments. Annual revenue collections have increased from \$486 Million to \$619 Million over the past four years. Substantial detail on the tax collection activities is provided in the body of this report.

In summary, the treasurer collects, protects and maximizes return on all funds due to the citizens of the City and County of San Francisco.

#### ORGANIZATION AND BUDGET

Very briefly, the organization appears as follows:

##### TREASURER

|                           |                          |
|---------------------------|--------------------------|
| Chief Assistant Treasurer | Tax Administrator        |
| Treasury Division         | Deputy Tax Administrator |
| Cashier                   | Property Tax             |
| Bonds & Coupons           | Business Tax             |
| Chief Investment Officer  | Audits                   |
| Investments               | Licenses & Permits       |
| Cash Management           | Parking Meters           |
|                           | Delinquent Revenue       |

The Treasurer-Tax Collector Department had an authorized budget of \$5,641,686 for the fiscal year 1984-85, with a total of 143 positions. An Administration Division provided centralized support services to the programs and activities of the Treasurer-Tax Collector Department. Goals and achievements of the various divisions are detailed in the following pages of this report.





## TREASURY DIVISION

The Treasury Division consists of two sections - a Cashier Section and a Bonds and Coupons Section. The Division's goal is to account for receipts of all funds deposited by City departments, and redemption of Controller's warrants and the disbursement of funds for other legal obligations.

Cashier Section. This section is responsible for the the receipt of all City and County moneys and checks either through direct bank deposits, lockbox operations or Treasurer's receiving window; payment of all Controller warrants through our Clearing House bank and also through Cashier windows; reconciliation of the above receipts and disbursements with total cash on a daily basis; daily and monthly reconciliation of Treasurer checking accounts; and daily input and detailed reconciliation to FAMIS (Financial Accounting and Management Information System) reports. All checks received through the Treasurer's Receiving window are encoded and microfilmed before deposit to the bank. Internal control is achieved by division of duties between receiving cashier, vault cashier, paying cashiers, reconciliation cashiers and clerks, and the accountants.

The primary objective of the Cashier Section is to "process and account for the receipt of collections, departmental deposits and disbursements made through the Cashier by the close of the same business day". The Cashier unit accomplished this objective during the fiscal year despite a major modification which started in 1979-80 to gradually change Controller warrants from hard tabulating cards



to soft encoded warrants. Some payroll warrants and social services warrants are still issued as hard tabulating card warrants. This dual system creates a more complex daily reconciliation of disbursements with payments to our Clearing House bank.

2,029,000 warrants were processed in 1984-85; approximately 35,000 more than the prior year.

Total receipts amounted to \$2,230,446,000 while disbursements totaled \$2,199,707,000 resulting in a June 30, 1985 cash and equity balance of \$1,046,764,000.

Since the arrival of the NCR Remittance Processing System in November, 1980, the Cashier Section personnel have become involved with the encoding of deposit checks for direct remittance to various banks. This process provides earlier investments of funds for higher interest earnings for the City. In September, 1982, the Cashier Section personnel expanded the usage of the NCR Remittance Processing System to include encoding all Controller warrants redeemed by our cashiers and processing mutilated warrants from our Clearing House bank to create a computer tape of encashed warrants. This encoding and tape creation process was previously done by Controller EDP personnel. This tape created in our office, together with the tapes provided by the Clearing House bank for Controller warrants redeemed through the bank, is entered into the Warrant Reconciliation System as our daily encashed warrants. As the warrant reconciliation process is revised to be more efficient, our personnel is ready and willing to adapt to the changes with the new problems and perform in a competent manner.



Bond and Coupon Section. The Bond and Coupon Section receives, verifies and pays all matured bonds and coupons either locally or through Citibank as fiscal agent in New York City. The objective is "to complete the redemption of all bonds and coupons on date of maturity". With the limited staff of one Bond and Coupon Supervisor and one Clerk, only persistent hard work enabled this unit to fulfill this objective. 97,206 bonds and coupons were redeemed in the total amount of \$45,390,001. All bonds and coupons presented were promptly paid. This section also registers and re-registers general obligation bonds. This year there were 70 transactions involving 470 bonds.

#### INVESTMENT DIVISION

The goal of the Investment Division is "to administer and control the investment of all moneys in the Treasurer's custody that are not required for payment of current obligations for the purpose of maximizing interest income while preserving the liquidity and safety of the principal", with the objection "to maintain all surplus funds in investments which exceed the rate earned by the State Local Agency Fund".

In 1984-85, the above goal and objective were met with outstanding success by the cash management and investment staff. For 1984-85 total interest received amounted to \$105,433,319 with earnings at an annual yield of 11.27% versus \$107,826,318 and 12.75% for 1983-84. This was an outstanding performance in view of the decline in interest rates.



For pooled cash, the unapportioned interest earnings for 1984-85 were \$96,819,966 at an annual yield of 11.34% versus \$93,244,519 and 11.64% for 1983-84. In 1985-86 targets have been revised downward to reflect the continuing unsettled interest rate conditions. The average rate of return of 11.27% exceeded the average rate earned by the State Local Agency Investment Fund of 9.98% and the average effective Federal Funds rate of 9.35%.

The Treasurer's Office uses a specialized computer system, "Moneymax", a market information service, "Telerate", and direct lines furnished by investment houses, which enable our investment officer to increase interest earnings and rate of return as reflected in the following schedule (Portfolio Statistics). The institution of direct bank deposits in the early 1970's, where departments deposit their receipts directly with the local branch of Bank of America, our concentration bank, continues to accelerate the flow of cash into the Treasury. We have also arranged for lock-box processing of invoiced receipts and court parking and traffic citation receipts. Funds received by the Treasurer for tax collections and other payments are handled through the use of an NCR Remittance Processing System for direct remittance to the bank. This process provides earlier deposit of these funds plus reduced bank charges.

The Treasurer's staff continually monitors and invests all revenue that flows through the remittance processing network through electronic access. All funds are transferred through Fed-wire





to the concentration account for disbursement by the Controller or for investment. In addition to the procedures mentioned above (direct deposits, lock boxes, remittance processing equipment) the use of credit cards for payment of traffic fines, towing and storage fees and misdeameanor bails has accelerated payments, reduced the incidence of bad checks and provided immediate funds for investment.

The position of Cash Manager, which was created during the 1979-80 fiscal year based on the recommendation of the Mayor's Fiscal Advisory Committee, was not filled for one-half of fiscal year 1984-85 adding additional burden to the Chief Investment Officer. The Cash Manager's primary duty has been to see that all departments follow the Charter mandate that the Treasurer receive and receipt for all funds which have been deposited with all City departments by the next business day. In addition the Cash Manager analyzes cash flow throughout the City and develops a cash flow system; initiates and modifies cash flow procedures; establishes and maintains banking relationships; advises and makes recommendations to City and County departmental personnel regarding cash management procedures and policies and assists the Chief Investment Officer in administering cash management and investment policies.

Extended use of these various procedures to other programs is an on-going process and should continue to increase revenues and provide better taxpayer assistance while containing costs.



PORTFOLIO STATISTICS

| <u>ALL FUNDS</u>       | <u>1980-81</u> | <u>1981-82</u> | <u>1982-83</u> | <u>1983-84</u> | <u>1984-85</u> |
|------------------------|----------------|----------------|----------------|----------------|----------------|
| Interest Received      | \$ 72,279,042  | \$104,913,283  | \$105,433,319  | \$107,826,318  | \$105,033,940  |
| Total                  |                |                |                |                |                |
| Interest Earned        | 76,328,450     | 103,837,361    | 112,138,124    | 110,442,606    | 111,641,333    |
| Average                |                |                |                |                |                |
| Daily Balance          | 617,954,789    | 715,229,031    | 879,859,738    | 959,488,131    | 990,921,611    |
| Earned                 |                |                |                |                |                |
| Interest Yield         | 12.95%         | 14.479%        | 12.745%        | 11.479%        | 11.27%         |
| Weighted Average Yield |                |                |                |                |                |
| End of Period          | 14.88%         | 12.170%        | 11.456%        | 11.063%        | 10.39%         |
| <u>POOLED FUNDS</u>    |                |                |                |                |                |
| Interest Received      | \$ 57,397,433  | \$ 85,566,711  | \$ 94,151,605  | \$ 93,244,519  | \$ 90,151,828  |
| Total                  |                |                |                |                |                |
| Interest Earned        | 60,496,034     | 85,466,499     | 100,228,795    | 95,706,262     | 96,819,966     |
| Average                |                |                |                |                |                |
| Daily Balance          | 482,684,740    | 584,214,547    | 758,906,600    | 820,031,106    | 854,034,912    |
| Earned                 |                |                |                |                |                |
| Interest Yield         | 12.56%         | 14.581%        | 13.207%        | 11.639%        | 11.34%         |
| Weighted Average Yield |                |                |                |                |                |
| End of Period          | 15.12%         | 12.073%        | 10.833%        | 11.178%        | 10.32%         |



**TREASURER/TAX COLLECTOR**  
**TAX COLLECTION DIVISION**  
**ANNUAL REPORT**  
**1984-1985**





1984 - 1985 ANNUAL REPORT

The office of the Tax Collector receives and deposits all monies for taxes, licenses and other fees due the City and County under the direction of the Treasurer as in accordance with the provisions of the Charter and the City's Administrative Code. It also provides the collection of delinquent accounts for other City departments. This work requires coordination with other agencies of the City and County, the Board of Supervisors and the State of California as well as other tax administrators and policy bodies to be effective.

The office's overall goal is to provide an equitable and efficient collection of property taxes, business taxes, licenses, and parking meter revenues in accordance with State law and City ordinances and at the same time maximize the investment return by expeditiously processing and depositing receipts.

The Tax Collector supervises eight operating divisions: Cashier, Real Estate, Business Taxes and Audits, Delinquent Revenue Collection, Investigation, Legal, License and Parking Meter. The divisions have the following basic goals:

1. To provide centralized administrative services for the department and support services to the divisional program activities.
2. To provide for the centralized collection of secured and unsecured property taxes for local government taxing agencies within the City and County of San Francisco.
3. To maintain a post audit program to determine the accuracy of taxpayer reports and to levy additional taxes if the audit indicates an underpayment.
4. To administer and collect the Business Tax, the Payroll Expense Tax, Parking Tax, Utility Users Tax, Stadium Admission Tax, and Transient Occupancy Tax.
5. To provide for the centralized collection of accounts delinquent in excess of 90 days for all City and County Departments except those under the jurisdiction of the Public Service Enterprises and to provide for the resolution of all delinquent taxpayer accounts.
6. To collect fees for Licenses and Permits which are required by Municipal Code, Part III; to collect the Dog License Fees; and to





determine eligibility for preferential parking permits in selected residential areas and to collect fees for same.

7. To administer and account for the collection of Parking Meter Revenues.

The function of each division is described in more detail in the body of this report. Also included are individual program goal statements directed towards the achievement of timeliness and quality service delivery. Together they express the main objective of the Tax Collector's Office, to maximize the City and County's revenues and to make possible the funding of other City and County services and functions.

### Highlights

The Business Tax Division completed yet another successful year. There were significant increases in the amounts collected for the utility tax, the hotel tax and the stadium tax. Whereas the total for all taxes collected by the Business Tax Division had remained at about \$164,000,000. for the previous three years, it rose this year to \$175,780,679. Audit deficiency billings remained over four million although not reaching last years record high.

The Parking Meter Division's continual search for additional competitive bidders for the two contracts it administers resulted in savings of over 25% of the anticipated costs of collecting and counting the Parking Meter Revenues. Based upon costs of the previous year \$404,000 was appropriated with only \$298,000 expended, a considerable saving.

The Bureau of Delinquent Revenue had anticipated a decrease of 30% in collections as the result of changes in Medi-Cal regulations. By increasing its effort in other areas, the Bureau held the loss of collectible revenue to 11 percent.

The Investigation Division, although deprived of the assistance of two of its investigators, increased the total of their collections. They also maintained the combined number of cases filed in Small Claims and the Municipal and Superior Courts.

The Legal Division managed to get its Wang Word Processor installed, programmed and created a sufficient data base to put them in a position to greatly increase and manage the number of their filings. This should produce significant increases in dollar recovery in this and the coming years.

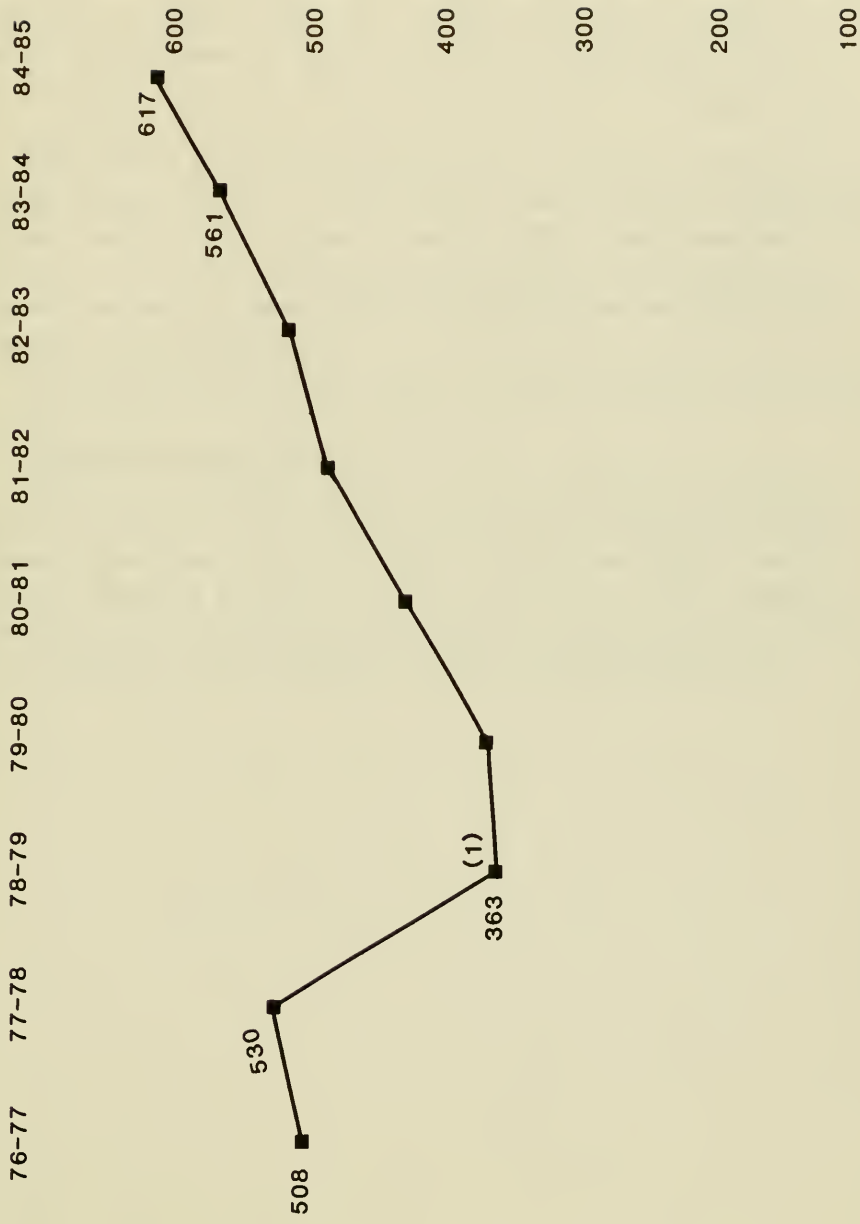
The Real Estate collection continued to be handled in our record two



days. Thanks to the NCR remittance processors. This equipment now handles both the supplemental and escaped assessment bills in addition to those for the regular secured and unsecured rolls, licenses and preferential parking. Supplemental property tax collections (SB 813) rose to \$9,367,253 over the \$3,334,502 of fiscal 1983-84.



## 9 Year Trend of Tax Collections.



(1) Year Proposition 13 Took Effect.



#### CASHIER'S DIVISION

The Cashier's Division receives and accounts for all payments of taxes, licenses, and other revenues whether taken over the counter in cash or by check or received in the mail. It maintains internal control by numeric identification and check microfilming of these payments. The division balances each type of revenue separately and daily deposits the sum of revenue collected with the Treasurer's Office.

The Cashier's Division also opens, sorts, and processes all mail to the Tax Collector's Office. It processes all checks with proper supporting documents immediately. It keeps all checks without proper supporting documents or which need verification in the Cashier's Check Section while it sends photocopies of these checks to the appropriate tax division for examination and identification.

The amount processed by the Cashier's Division increased by \$55,854,461 in fiscal 1984-85 for a total of \$617,181,742.

#### Uniform Sales and Purchase Tax

The State of California, acting since 1958 as the agent of the City and County, collects the San Francisco Uniform Sales and Purchase Tax and returns revenues minus collection costs to the City and County. This tax provided revenues of \$70,304,969 to the City and County in fiscal 1984-85. The State collected an additional \$17,554,655 as one quarter of one percent to be remitted to the San Francisco Bay Area Rapid Transit District.





COMPARISON OF COLLECTIONS BY THE CASHIER'S DIVISION

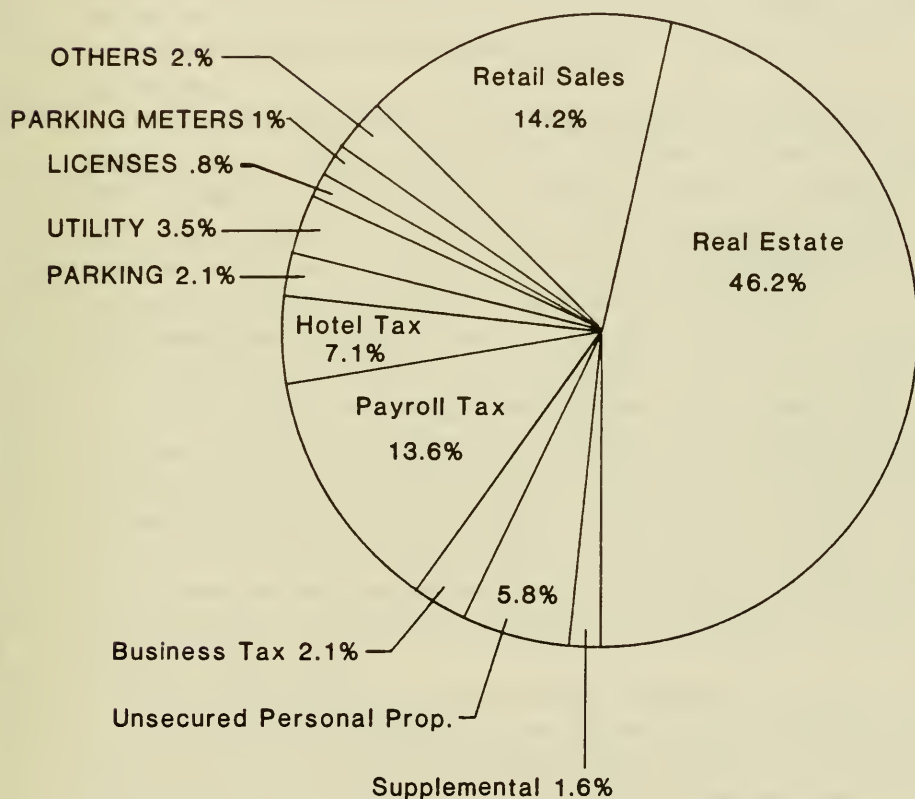
| <u>Type of Collection</u>                | <u>1981-82</u>       |                            |                      | <u>1982-83</u> |                            |                      | <u>1983-84</u> |                            |               | <u>1984-85</u> |                            |               |
|------------------------------------------|----------------------|----------------------------|----------------------|----------------|----------------------------|----------------------|----------------|----------------------------|---------------|----------------|----------------------------|---------------|
|                                          | <u>Amount</u>        | <u>Items<br/>Processed</u> | <u>Amount</u>        | <u>Amount</u>  | <u>Items<br/>Processed</u> | <u>Amount</u>        | <u>Amount</u>  | <u>Items<br/>Processed</u> | <u>Amount</u> | <u>Amount</u>  | <u>Items<br/>Processed</u> | <u>Amount</u> |
| Real Estate Tax                          | \$208,533,319        | 261,838                    | \$231,643,699        | 262,284        | 271,030                    | \$285,302,932        | 271,030        | 297,902                    |               |                |                            |               |
| Real Estate<br>Supplemental Tax          | -                    | -                          | -                    | -              | 3,151                      | 9,776,127            | 3,151          | 46,513                     |               |                |                            |               |
| Unsecured Personal<br>Property Tax       | 24,574,887           | 33,934                     | 28,600,993           | 33,668         | 32,835                     | 35,668,837           | 32,835         | 32,712                     |               |                |                            |               |
| Business Tax                             | 11,509,140           | 3,363                      | 11,430,562           | 2,119          | 1,474                      | 12,703,178           | 1,474          | 1,453                      |               |                |                            |               |
| Payroll Tax                              | 77,798,020           | 15,112                     | 83,723,687           | 11,103         | 7,981                      | 83,891,064           | 7,981          | 7,827                      |               |                |                            |               |
| Hotel Tax                                | 35,182,112           | 1,502                      | 34,870,505           | 1,503          | 1,478                      | 43,829,014           | 1,478          | 1,579                      |               |                |                            |               |
| Parking Tax                              | 9,944,288            | 1,184                      | 11,127,371           | 1,137          | 1,086                      | 13,161,120           | 1,086          | 1,037                      |               |                |                            |               |
| Utility Tax                              | 28,358,831           | 489                        | 21,840,914           | 416            | 208                        | 21,362,624           | 208            | 311                        |               |                |                            |               |
| Stadium Tax                              | 380,924              | 9                          | 271,265              | 3              | 7                          | 368,588              | 7              | 9                          |               |                |                            |               |
| Licenses                                 | 4,337,519            | 100,170                    | 4,995,920            | 108,055        | 102,638                    | 5,246,055            | 102,638        | 95,829                     |               |                |                            |               |
| Parking Meter                            | 6,224,661            | 254                        | 6,453,047            | 253            | 253                        | 6,297,237            | 253            | 254                        |               |                |                            |               |
| Retail Sales and<br>Local Transportation | 72,264,841           | 48                         | 74,002,166           | 25             | 44                         | 87,859,624           | 44             | 41                         |               |                |                            |               |
| Tax Redemption                           | 5,874,933            | 4,418                      | 7,689,145            | 4,857          | 5,202                      | 9,791,479            | 5,202          | 4,960                      |               |                |                            |               |
| Delinquent Revenue                       | 828,845              | 1,999                      | 660,292              | 2,697          | 4,818                      | 1,381,383            | 4,818          | 8,096                      |               |                |                            |               |
| Voluntary Art Fund                       | -                    | -                          | -                    | -              | -                          | 54,715               | -              | 11,317                     |               |                |                            |               |
| Other                                    | 265,272              | 477                        | 1,647,049            | 531            | 549                        | 1,299,132            | 549            | 451                        |               |                |                            |               |
| <b>TOTALS</b>                            | <b>\$486,077,592</b> | <b>424,797</b>             | <b>\$518,956,615</b> | <b>428,651</b> | <b>432,754</b>             | <b>\$617,993,105</b> | <b>432,754</b> | <b>510,291</b>             |               |                |                            |               |



# SOURCES of REVENUE

## TAX COLLECTORS OFFICE

### 1984-1985





## PROPERTY TAX DIVISION

The Property Tax Division collects, records and reports secured and unsecured property taxes. It also processes refund claims for duplicate tax payments and tax over-payments; provides tax information to taxpayers, financial institutions, tax service agencies and other interested parties; and mails tax bills.

As a primary responsibility, it collects and accounts for property taxes in excess of \$300 million annually. It collects these taxes on the basis of secured assessments, unsecured assessments, escaped assessments, supplemental assessments (SB 813), State Board of Equalization assessments and special assessments transferred to the tax roll by the Board of Supervisors.

Supplemental assessments result from changes in ownership or new construction as a result of Senate Bill 813, signed into law as of July 1, 1983. Among the changes made in the original legislation by Assembly Bill 2345, the billing of this tax is in two installments rather than one. Under its provisions, assessments for more than one fiscal year are being billed and collected concurrently. As a result, during 1984-85 Supplemental Unsecured collections for 1983 totalled \$162,941; Secured for 1983 totalled \$2,869,930 while secured for 1984 totalled \$6,334,382.

The public made more than 40,000 inquiries of the Property Tax Division in 1984-85 either by mail or telephone or by walking into the Tax Collector's office. They requested tax bills, explanations of the contents of tax bills they had already received, verification of payments or tax refunds for duplicate and overpayments. As a result of the last category of requests, the division processed over 1,000 items for refunds in 1984-85, as a consequence of duplicate tax payments or tax overpayments made due to changes in assessments.

On receipt of payments, the division reviews them for accuracy. It processes complete payments through the NCR Remittance Processing Systems which microfilms and endorses the checks while preparing a tape to update the postings on the main computer. In addition to the main secured and unsecured collections, the remittance processor can now handle the supplemental and escaped assessment collections. The division must process manually those payments which prove incorrect or unidentifiable. Most incorrect payments result from roll corrections made by the Assessor's



Office after the tax bills are mailed.

The division maintains its accounting records for its collection activities as a means of generating the monthly reports, both internal and external, required by State and local laws and necessary for effective management. It forwards these reports to both the department management and the Controller. It prepares additional reports on a quarterly basis to reflect actual MBO performance against its MBO goals.

The division successfully met most of its MBO goals for fiscal 1984-85. The goals and results included:

1. The mailing of 100% of non-penalty courtesy letters within seven days of receipt. The division met this goal.
2. Complete mailing of all current year secured tax bills by November One. The division mailed the bills before the deadline date.
3. To post and reconcile all secured property tax payments received by December 10 and April 10 within sixty days. The division failed to meet this goal due to the loss of key personnel in the accounting division. As this loss could not be anticipated and no civil service list was available from which to secure immediate replacements, the division has had to recruit and train temporary replacements until such time as a new list makes permanent qualified replacements available.
4. Process within four days all payments received by December 10 and April 10. The division processed both payments this year within two days.

The main emphasis on 1985-86 will be the improvement of performance in the accounting division to achieve its MBO goal in this area.





PROPERTY TAXES DIVISION

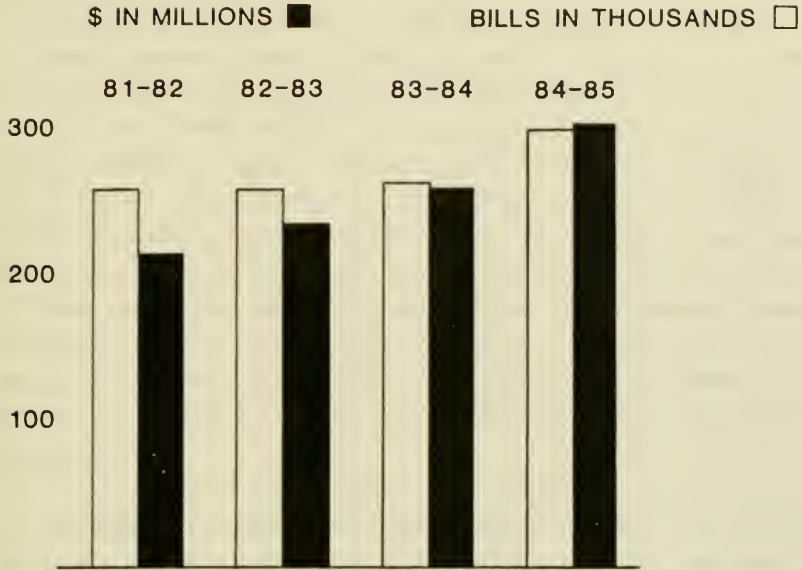
COMPARATIVE TAX COLLECTIONS REPORT

| <u>TYPE OF COLLECTION</u>  | <u>1981-82</u>       | <u>1982-83</u>       | <u>1983-84</u>       | <u>1984-85</u>       |
|----------------------------|----------------------|----------------------|----------------------|----------------------|
| <u>Secured Property</u>    |                      |                      |                      |                      |
| Current Year               | \$207,386,663        | \$230,867,380        | \$256,368,944        | \$284,091,661        |
| Prior Years                | <u>6,067,245</u>     | <u>8,353,957</u>     | <u>10,150,588</u>    | <u>10,590,977</u>    |
| TOTAL SECURED              | <u>\$213,453,908</u> | <u>\$239,221,337</u> | <u>\$266,519,532</u> | <u>\$294,682,638</u> |
| <u>Unsecured Property</u>  |                      |                      |                      |                      |
| Prepaid                    | \$ 400,129           | \$ 432,122           | \$ 355,126           | \$ 362,697           |
| Current Year               | 23,112,509           | 27,111,937           | 30,013,847           | 34,113,186           |
| Prior Years                | <u>510,640</u>       | <u>472,699</u>       | <u>794,164</u>       | <u>594,460</u>       |
| TOTAL UNSECURED            | <u>\$24,023,278</u>  | <u>\$28,016,758</u>  | <u>\$31,163,137</u>  | <u>\$35,070,343</u>  |
| <u>Supplemental SB 813</u> |                      |                      |                      |                      |
| Secured 1984               | -                    | -                    | -                    | \$6,334,382          |
| Secured 1983               | -                    | -                    | \$3,318,114          | 2,869,930            |
| Unsecured                  | -                    | -                    | <u>16,388</u>        | <u>162,941</u>       |
| TOTAL SUPPLEMENTAL         |                      |                      | <u>\$3,334,502</u>   | <u>\$9,367,253</u>   |
| TOTAL COLLECTIONS          | <u>\$237,477,186</u> | <u>\$267,238,095</u> | <u>\$301,017,171</u> | <u>\$339,120,234</u> |

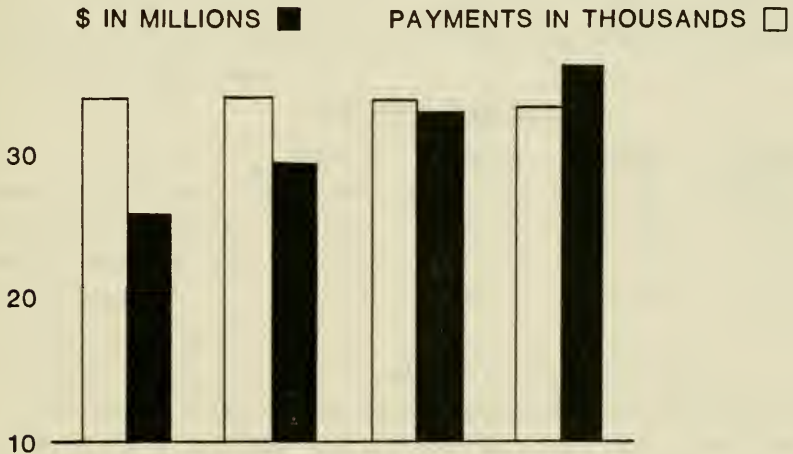
Totals of taxes and penalties are shown above. Not included are duplicates, overpayments and transfers which are included in the Cashier's totals.



# REAL ESTATE



# UNSECURED PERSONAL PROPERTY





## TAX REDEMPTION BUREAU

The Tax Redemption Bureau computes and processes payments of delinquent property taxes. It maintains complete listings and accounting records of delinquent property taxes as to original taxes, delinquent penalty, cost, State redemption fee, redemption penalty, and unpaid balances if the taxes are being paid under the five-year installment payment plan. Consequently, it handles a large volume of telephone calls and correspondence as to the interpretation of the Revenue and Taxation Code of the State of California, current tax status, and the computation of taxes and penalty from the general public, title insurance companies, mortgage companies, savings and loan companies, and tax service institutions. Its effective functioning demands a close working relationship with the offices of the City Controller, the Assessor, and the State Controller in Sacramento.

The Bureau also prepares lists of tax-defaulted real property and parcels subject to power to sell tax-defaulted property, and arranges for publication of this information in a local newspaper in compliance with the laws of the State of California.

An on-line automated financial system to maintain accounting records for delinquent Real Estate taxes was installed in the Redemption Bureau. This new system consists of on-line inquiry, on-line record updates and on-line payment recording features. Under the old system, delinquent tax payments are recorded and processed manually with updates to the master file made by card input.

### FOUR YEARS COMPARISON

|                         | <u>1981-82</u> | <u>1982-83</u> | <u>1983-84</u> | <u>1984-85</u> |
|-------------------------|----------------|----------------|----------------|----------------|
| Revenue Collections     | \$9,967,665    | \$9,312,489    | \$5,865,155    | \$5,706,892    |
| Parcels sold to State   | *5,881         | 4,696          | 4,501          | 5,340          |
| Parcels deeded to State | **40           | 24             | 34             | 28             |
| Parcels redeemed        | 7,013          | 7,743          | 6,410          | 4,077          |

\*Parcels tax-defaulted

\*\* Parcels subject to power to sell tax-defaulted property

The revenue total for the Tax Redemption Bureau of \$9,967,665 reflects the total for all parcels fully redeemed during the fiscal year. The Cashier's total of \$9,791,480 includes only those payments actually



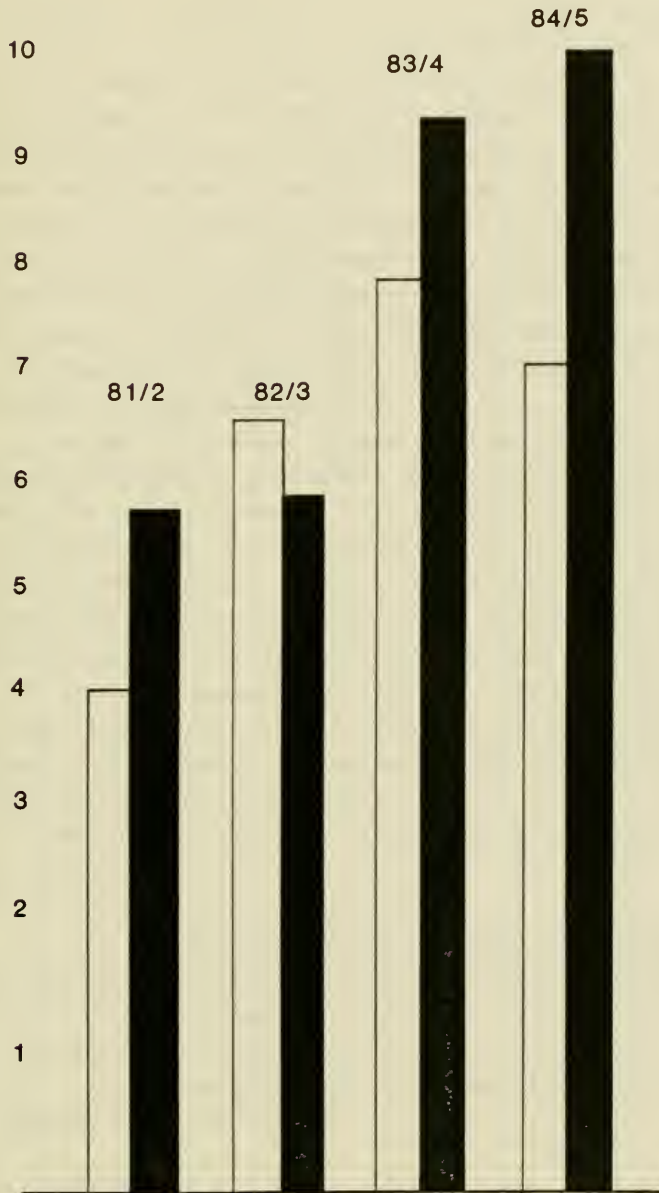
received during the 1984-85 fiscal year. This total is composed of payments that redeemed parcels and are counted in the Redemption Bureau totals; and installment payments made against parcels not yet completely redeemed which are not included in the Redemption Bureau total.





# TAX REDEMPTION

\$ in Millions (000,000)      Parcels Redeemed in Thous. (000)





## BUSINESS TAX DIVISION

Under the direction of the Chief Auditor, the Business Tax Division administers the Business Tax, Payroll Expense Tax, Utility Users Tax and Stadium Tax. The Business Tax is levied on gross receipts from business activities in San Francisco. The Payroll Expense Tax is collected on payroll expenses of business firms incurred in the City. The Parking Tax is a percentage of the rent paid for parking space in the City. The Utility Tax is levied on the commercial users of gas, electricity, steam, water and telephones in the City. The Hotel Tax is on the rent paid by transients for occupying hotel rooms. The Stadium Tax is on the admission tickets sold by the stadium operators for athletic contests or other special events. The administration of these taxes involves the maintenance of taxpayer files, the collection of taxes, processing tax statements, accounting for tax receipts, providing information and assistance to the taxpayer and other related tasks.

The division operates in three sections: Taxpayer service, Transaction Control and Audits. The Taxpayer Service Section processes tax statements and other related documents. It also assists taxpayers in connection with the various taxes. The Transaction Control Section posts tax payments to the computer, maintains the tax files and reconciles tax receipts. The Audit Section selects and audits various business firms to verify the accuracy of their tax statements and to promote taxpayer compliance.

To maintain maximum effectiveness this division utilizes personnel on a highly flexible basis. Accordingly, it assigns employees based on the priority of the task to the various sections within the division or even to other divisions in the department.

The Business Tax Division divided its MBO objectives in two sections as follows:

1. Business Taxes Administration

- a. To maintain or reduce the number of delinquent accounts to be transferred to the Investigation Division for collection.
- b. To process 90 percent of the tax statements received by March 7 within thirteen working days.
- c. To send out determination statements to all delinquent taxpayers before July 1, 1985.



d. To maintain the maximum personnel cost per transaction processed by the Transaction Control Section under \$1.84.

e. To resolve 90 percent of Cashier inquiries within 24 hours of receipt.

f. To test Business/Payroll Tax instructions on non-Tax Collector personnel before sending to the taxpayer.

g. To reconcile each month's collections during peak collection periods no later than 12 days after month's end.

2. The Audit Program

a. To achieve a recovery rate of at least \$130 per audit hour based on ordinary billing.

b. To produce .07 audits per hour.

c. To produce a ratio four times the tax recovery to cost.

While the division met all of the above MBO objectives this fiscal year, it still seeks improvements in some areas. For example, we will continue to update the taxpayer's files to reduce further the number of delinquent accounts.



The following is a comparative report of the operating results for the past four years:

| Tax Collection: | <u>1981-82</u>       | <u>1982-83</u>       | <u>1983-84</u>       | <u>1984-85</u>       |
|-----------------|----------------------|----------------------|----------------------|----------------------|
| Payroll/Bus Tax | \$89,307,158         | \$95,154,248         | \$97,095,508         | \$96,594,241         |
| Utility Tax (1) | 28,358,830           | 22,537,345           | 17,184,063           | 21,768,784           |
| Parking Tax (1) | 9,944,290            | 11,244,997           | 12,165,080           | 13,220,052           |
| Hotel Tax       | 35,182,111           | 34,870,504           | 37,190,475           | 43,829,015           |
| Stadium Tax     | <u>380,923</u>       | <u>271,266</u>       | <u>228,936</u>       | <u>368,587</u>       |
| Total           | <u>\$163,173,312</u> | <u>\$164,078,360</u> | <u>\$163,864,062</u> | <u>\$175,780,679</u> |

(1) The different amounts shown in this report and those in the Cashier's report are due to the tax paid by certain City departments by transfers. The Parking Tax transfers for 1981-82, 1982-83, 1983-84, and 1984-85 are \$113,789; \$117,627; \$140,841; and \$58,934 respectively. The Utility Tax transfers are \$869,677; \$696,430; \$363,431; and \$406,157 for the same years respectively.

Audit Results:

|                                           |                |             |             |             |
|-------------------------------------------|----------------|-------------|-------------|-------------|
| Audit hours                               | 13,027         | 13,054      | 14,847      | 14,700      |
| Audits Completed                          | 1,055          | 1,002       | 1,123       | 1,166       |
| Average Hours Per Audit                   | 12.3           | 13          | 13.2        | 12.6        |
| Average Billings Per Audit                | \$2,830        | \$3,569     | \$4,319     | \$3,628     |
| Avg. Billings per Hour on Ordinary Audits | 211(2)         | 192         | 161         | 151         |
| Ordinary Audit Billings                   |                | \$2,485,289 | \$2,585,135 | \$2,125,705 |
| Extra Ordinary Audit Billings             |                | \$1,091,717 | \$2,265,864 | \$2,104,069 |
| TOTAL Audit Billings                      | \$2,756,925(2) | \$3,577,006 | \$4,850,999 | \$4,229,774 |

(2) No breakdowns between ordinary audit and extraordinary audit billings are available for this year.

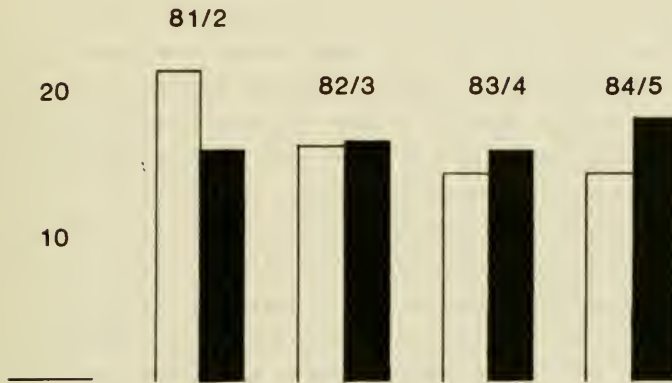




# BUSINESS TAXES

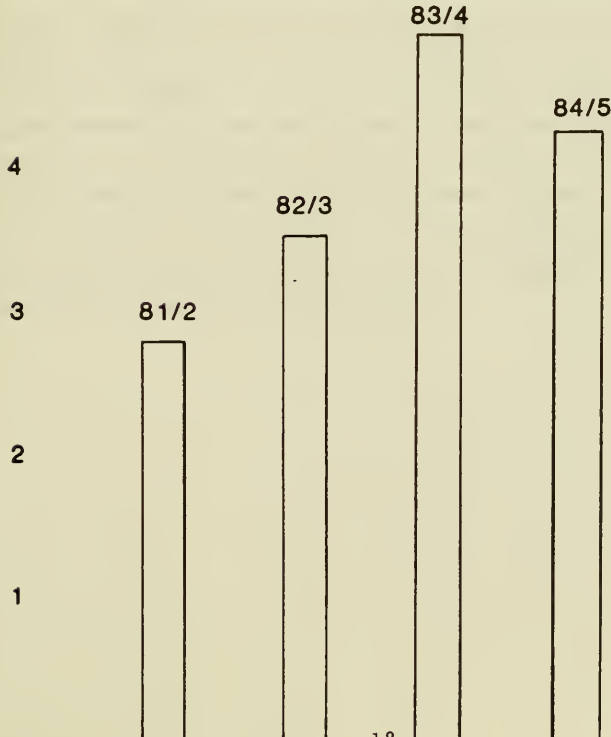
\$ in TEN MILLIONS (00(0,000,000) ■

# in HUNDREDS (000) □



## AUDITS

BILLINGS IN MILLIONS (000,000)





## BUREAU OF DELINQUENT REVENUE

The Board of Supervisors established the Bureau of Delinquent Revenue in 1935 by Ordinance No. 9.0231 to serve as the official collection agency for the City and County. The Bureau has two collection functions. First, it collects delinquent account receivables over 90 days old for all City and County departments except the Port Authority, the Department of Social Services and those departments under the jurisdiction of the Public Utilities Commission. Second, it collects various taxes on individuals or businesses entering into either escrow or bankruptcy.

For fiscal year 1984-85, the Bureau collected greater revenue than it had anticipated. The bureau had projected a revenue decline of 30 percent due to changes in Medi-Cal regulations. Instead the payments made directly to the Bureau increased by 10.7 percent while the bureau increased its collections of various taxes by 15 percent. As a result the Bureau's total collections declined by only 11 percent.

In May and June of 1985, San Francisco General Hospital referred 27,608 Outpatient Bills totalling \$3,989,256. to the bureau for collection. In addition, they anticipate an additional transfer of 6,000 new outpatient accounts per month over their current number which currently averages 725 cases per month. For the sake of comparisons, the Bureau received 10,426 delinquent accounts for collection in fiscal 1984-85. In fiscal 1985-86 it anticipates the transfer of 100,000 delinquent accounts from the departments served. The amount of recovery depends upon whether the bureau obtains adequate resources to pursue these claims.

The bureau's MBO objective was to maintain 70% collection effectiveness of the prior fiscal year due to the changes in Medi-Cal regulations. The bureau met and exceeded this goal.



BUREAU OF DELINQUENT REVENUE STATISTICAL ACTIVITY

| <u>COLLECTIONS</u>      | <u>FY 1981-82</u>  | <u>FY 1982-83</u>  | <u>FY 1983-84</u>  | <u>FY 1984-85</u>  |
|-------------------------|--------------------|--------------------|--------------------|--------------------|
| Dept. of Public Health  | \$ 736,947         | \$ 546,930         | \$1,127,634        | \$1,242,854        |
| Payments direct to SFGH | 438,583            | 812,669            | 1,837,271          | 1,372,251          |
| All other Departments   | 91,897             | 113,361            | 120,229            | 138,560            |
| Taxes                   | 498,113            | 580,903            | 947,874            | 1,099,069          |
| Total Collections       | <u>\$1,765,540</u> | <u>\$2,053,863</u> | <u>\$4,033,008</u> | <u>\$3,852,734</u> |

OTHER DELINQUENT ACCOUNT DATA

|                                         |       |       |       |        |
|-----------------------------------------|-------|-------|-------|--------|
| Total No. of Outstanding<br>Accounts    | 5,338 | 8,785 | 9,377 | 15,107 |
| Total No. of Abandonments               | 1,144 | 1,380 | 2,287 | 2,532  |
| Total No. of Collections                | 3,237 | 5,471 | 6,167 | 8,904  |
| Total No. of direct<br>Payments to SFGH | 175   | 371   | 716   | 864    |
| Total No. of Transfers to BDR           | 2,626 | 4,823 | 5,300 | 10,426 |



# DELINQUENT REVENUE

NO. of Collections in Thousands (000) ☐ \$ in Millions (000,000) ☒

9

8

7

6

5

4

3

2

1

81-82

82-83

83-84

84-85





## INVESTIGATION DIVISION

The Investigation Division conducts field investigations essential to assure compliance with the tax codes and ordinances governing the office of the Tax Collector. The division makes these investigations for the other divisions in the Tax Collector's Office. For example, the division surveys large office buildings and construction sites to ascertain that all businesses are registered for business/payroll taxes. Likewise, it assists the Legal Division in preparing court cases by compiling reports and serving necessary legal documents. The division also prepares documentation and sues in Small Claims Court on business, parking and hotel taxes of \$1,500 or less as well as all apartment house and hotel license fees.

The division increased the revenue it collected for every year of the last four. The number of field calls increased every year except this one. The division also increased the dollars collected per field call each year. The accounts open at the beginning of each fiscal year increases each year. In part this resulted from liens placed on accounts over \$100. in 1981. As these liens were in place, we kept these accounts open. Otherwise, we would have closed two to three thousand more accounts each year.

The Investigation Division set the following MBO objectives:

1. To make follow-up contact on all delinquent accounts in excess of \$400. within one year of receipt. The reassignment of two field investigators meant that the division achieved only a 90% success in this objective.
2. To notify by mail 70% of taxpayers with delinquent accounts of \$400. or less. The division notified 80% of the delinquent accounts.
3. To have two percent of all field investigations reviewed by supervisory personnel through taxpayer contact. The division met this objective.
4. To maintain the current number of field calls. The reassignment of two investigators prevented the meeting of this objective.
5. To register for business/payroll taxes unregistered contractors doing business in San Francisco. The division set the target for this objective unrealistically high and thus failed to meet it.



STATISTICAL ACTIVITY

COLLECTION ACTIVITY

|                             | <u>1981-82</u> | <u>1982-83</u> | <u>1983-84</u> | <u>1984-85</u> |
|-----------------------------|----------------|----------------|----------------|----------------|
| Collections Made            | \$3,058,026    | \$3,600,088    | \$4,692,352    | \$4,756,312    |
| Calls Made                  | 16,563         | 17,869         | 18,120         | 15,639         |
| Average Collection per Call | 185            | 201            | 259            | 304            |

CASES FILED AND INSTITUTED

|                                   |            |            |            |            |
|-----------------------------------|------------|------------|------------|------------|
| Small Claims Court                | 32         | 39         | 43         | 78         |
| Municipal/Superior Court          | 158        | 205        | 105        | 74         |
| Total Accounts Submitted for Suit | <u>190</u> | <u>244</u> | <u>148</u> | <u>152</u> |

INVENTORY OF ACCOUNTS

|                                |                |                |                |                |
|--------------------------------|----------------|----------------|----------------|----------------|
| Accounts Open at Start of Year | 22,420         | 28,127         | 31,447         | 33,499         |
| Accounts Received during Year  | <u>13,342</u>  | <u>9,904</u>   | <u>11,951</u>  | <u>12,027</u>  |
| Sub-total                      | 35,762         | 38,031         | 43,398         | 45,526         |
| Accounts Closed during Year    | <u>(7,635)</u> | <u>(6,584)</u> | <u>(9,899)</u> | <u>(8,978)</u> |
| Accounts Open at End of Year   | <u>28,127</u>  | <u>31,447</u>  | <u>33,499</u>  | <u>36,548</u>  |

OTHER ACTIVITY

|                             |       |       |       |       |
|-----------------------------|-------|-------|-------|-------|
| Certificate of Lien on File | 1,494 | 2,941 | 5,191 | 5,000 |
| Abandonment Recommendations | 0     | 190   | 250   | 50    |



## LEGAL DIVISION

In 1984-85 the Legal Division acquired an additional permanent position. The 8173 Legal Assistant position formerly funded by Work Order and classified as temporary was transferred to the Tax Collector's budget as a permanent Civil Service position. The division filled this position from the newly created Civil Service List.

The Legal Division acquired a Wang Word Processing System to enable it to process more civil collection accounts using existing staff. Wang installed the equipment on September 28, 1984. It includes one computer, an automatic printer and two video display keyboard work stations. The division then began the process of making the system operational. This involved the installation of software and the training of all employees in the systems operations. The division created a database of glossaries and paragraph files. On the system glossaries we listed the entire inventory of accounts and organized them according to category. In addition, the division created a database of standardized forms for initial complaints, the majority of motion papers, contracts liens, and routine correspondence.

As a result of the substantial amount of time required to make this system operational, the division filed fewer new cases than usual in 1984-85. In doing so, the division reviewed its priorities in selecting cases for litigation and decided that it must give first place to those cases where the defendant was resisting the City's claim. This decision led to several of the division's successes for the year: the recording of two aid liens as well as several out-of-court settlements and one court judgment. On the negative side, the division expended substantial time in preparing and arguing the Carpenter Funds Administrative Office case in the Court of Appeal which ruled against the Tax Collector. However, the division, in turn, proceeded to a petition for hearing in the California Supreme Court.

In other areas, the Legal division prepared a comprehensive set of amendments to the City's four business tax ordinances. These amendments addressed the procedural changes required to conform the City's ordinances to applicable State law. They also provided additional collection remedies to enable the Tax Collector to become more effective in collecting tax assessments in a sophisticated business community.



Again, the Legal division revised the forms used by the Real Estate division to give legal notice of default in the payment of secured roll taxes as well as the forms used by the Tax Collector to give notice of sale of tax defaulted property. This required considerable research of several novel issues arising out of the sale of tax defaulted property as well as the validity of special assessments for utility services.

The division's MBO objective was:

To collect \$1,000,000 annually through litigation or out-of-court settlement. The division attained 71 percent of its goal in 1984-85.

|                               | <u>1981-82</u>   | <u>1982-83</u>   | <u>1983-84</u>   | <u>1984-85</u> |
|-------------------------------|------------------|------------------|------------------|----------------|
| No. of Complaints Filed       | 80               | 59               | 62               | 14             |
| No. of Abstracts Recorded     | 23               | 52               | 34               | 18             |
| No. of Aid Liens Recorded (1) |                  |                  |                  | 2              |
| <br>Total Dollar Recovery     | <br>\$1,143,197. | <br>\$1,624,555. | <br>\$1,563,072. | <br>\$706,079. |

(1) This is a first for this year





## LICENSE BUREAU

The License Bureau collects those fees mandated by Part III of the Municipal Code. These fees provide for the cost of inspections by the Police and Fire Departments, the Departments of Public Health and Public Works of those businesses which must obtain permits from these agencies. In addition, the division administers the Preferential Parking Program by determining eligibility, collecting fees and dispensing permits. This program currently functions in twelve areas of the City. The Board of Supervisors extended it to four more for the coming year. The License Bureau also oversees the dog licensing procedure as mandated by the Municipal Code.

The Bureau met or exceeded all MBO goals in fiscal 1984-85. Those met include:

1. To provide the Investigation Division with a list of all delinquent apartment house License renewals by February 15.
2. To maintain the current rate of delinquent licenses.
3. To investigate all questionable stickers referred by the public or traffic control, cancelling those in illegal use.
4. To process 100% of License renewal/applications within 30 calendar days after respective deadlines or expiration dates.
5. To fill 100 percent of licenses or permits within 45 calendar days after respective deadlines or expiration dates.

The License Bureau collected \$5,246,054. in revenue in fiscal 1984-85; \$163,946 less than the forecast of \$4,410,000. and \$60,459 less than collected in 1983-84. The decline occurred in three areas. First, nearly one thousand restaurants disappeared resulting in a decrease of \$61,000 in License fees. Then the bureau issued fewer preferential parking permits as the bureau instituted tighter controls on eligibility. This represented a \$13,000 decrease in revenue. Then the bureau issued 5,000 fewer dog licenses for a \$27,000 decrease in revenue. The SPCA gave no reason for this drastic decline other than people may just not be licensing their dogs.

In the coming fiscal year the Bureau faces great pressures and demands on its staff as they will have to service four additional residential parking areas and the new Health Department hazardous materials accounts.



STATISTICAL ACTIVITY COMPARISONS

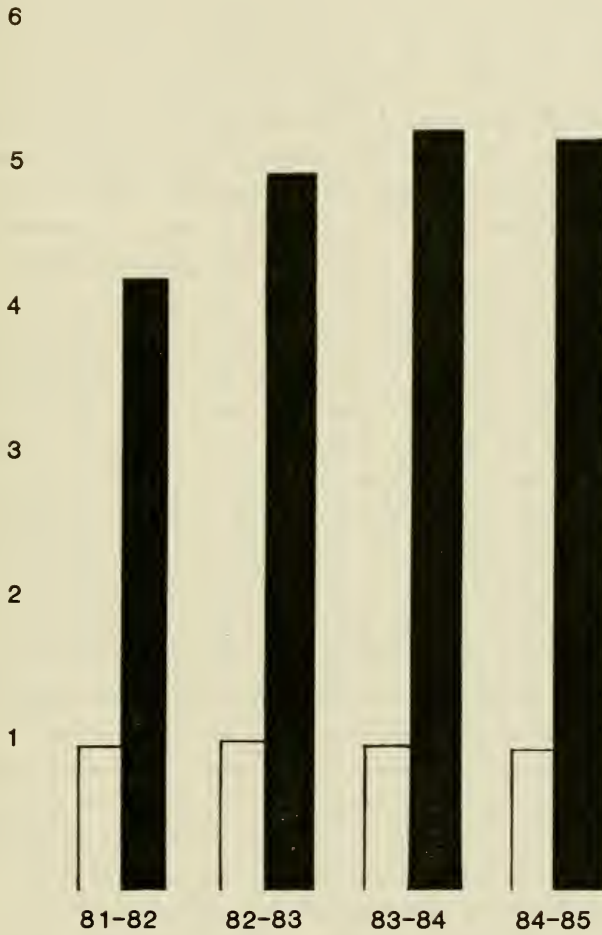
|                  | <u>1981-82</u> |                    |                | <u>1982-83</u>     |                |                    | <u>1983-84</u> |                    |            | <u>1984-85</u> |            |             |
|------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|------------|----------------|------------|-------------|
|                  | <u>Qty</u>     | <u>Amts</u>        | <u>Qty</u>     | <u>Amts</u>        | <u>Qty</u>     | <u>Amts</u>        | <u>Qty</u>     | <u>Amts</u>        | <u>Qty</u> | <u>Amts</u>    | <u>Qty</u> | <u>Amts</u> |
| General Business | 23,330         | \$1,773,006        | 22,972         | \$2,215,905        | 23,000         | \$2,271,172        | 22,688         | \$2,259,121        |            |                |            |             |
| Vehicles         | 794            | 52,174             | 813            | 56,751             | 781            | 54,565             | 944            | 65,687.50          |            |                |            |             |
| Food Prod & Mktg | 1,793          | 299,490            | 1,744          | 400,537            | 1,802          | 426,836            | 1,760          | 437,075            |            |                |            |             |
| Miscellaneous    | 4,275          | 62,317             | 4,451          | 108,739            | 4,415          | 100,614            | 4,790          | 106,440            |            |                |            |             |
| Dogs             | 22,356         | 133,785            | 25,249         | 147,720            | 16,881         | 97,325             | 12,021         | 70,357.50          |            |                |            |             |
| Food Prep & Svc. | 5,499          | 1,407,883          | 4,684          | 1,382,911          | 5,934          | 1,640,902          | 4,997          | 1,579,802          |            |                |            |             |
| Park Permits     | 40,331         | 344,096            | 46,291         | 404,586            | 48,011         | 440,271            | 46,869         | 427,095            |            |                |            |             |
| Fire Dept Lic.   | 1,892          | 269,145            | 1,850          | 278,772            | 1,814          | 274,828            | 1,791          | 300,476            |            |                |            |             |
| GRAND TOTAL      | <u>100,170</u> | <u>\$4,341,896</u> | <u>108,054</u> | <u>\$4,995,921</u> | <u>102,638</u> | <u>\$5,306,513</u> | <u>95,860</u>  | <u>\$5,246,054</u> |            |                |            |             |

Difference from 81-82 results: + \$7,884 + \$654,025  
 82-83 results: -5,416 + \$310,592  
 83-84 results: -6,778 - \$60,459



# LICENSES

NO. IN HUNDRED THOUSANDS, \$ IN MILLIONS  
(00,000) (000,000)





## PARKING METER DIVISION

The Parking Meter Division administers the collection, sorting, counting and depositing of all parking meter revenues for the City and County except for those belonging to the Port Authority. In addition, the division compiles and analyzes the statistical information available from these collections for the purpose of minimizing the costs to the City and County while maximizing the revenues from this activity. The Tax Collector's office contracts the actual collection as well as the sorting, counting and depositing of the funds with private firms under the authorization of Section 8.300-1 (Proposition "J") of the Charter. For fiscal 1984-85 the City awarded the collection contract to Burn's International Security Services Inc. and the contract for the counting and depositing of funds to Brinks, Inc. These awards represented lower costs and substantial savings to the City and County.

The division also coordinates the exchange of information and planning between the several City Departments that have responsibilities in connection with the Parking Meter System. The division works with the Traffic Division of the Department of Public Works who decide where Parking Meters will be installed and where removed; the Department of Electricity that does the actual installations and daily maintenance of the system; the Police Department which provides for the security of the meters and the Parking Authority which pays for the maintenance of the system as well as the cost of the contracts for collecting and counting. In conjunction with the Department of Electricity and the Parking Authority, the division oversaw the acquisition and installation of new security equipment and the beginnings of a major revision of the collection system.

The City and County began fiscal 1984-85 with 16,785 meters and that number remained relatively stable for most of the year. Then in the last month of the fiscal year the Department of Electricity installed an additional 260 meters to bring the total over 17,000.

The division meets its MBO goals as follows:

1. To monitor collection/counting contracts on a monthly basis to increase cost effectiveness. The goal aimed for was a cost of 6% of collections or less. Actual expenditures ran 4.7 percent of collections.
2. To monitor collection routes through random surveillance within all zones on a monthly basis.





3. To conduct surprise quarterly inspections and inventories of all collection equipment and counting facilities.

The major problem the division now faces is a sudden rise in the number of jammed parking meters. A year ago meter jamming appeared stabilized at an average of about 17,000 jams per month. In the last six months of fiscal 1984-85 the numerical incidence of jamming rose to a monthly average of between 25,000 and 26,000 jams. This represents a significant loss of meter income to the City and County. Instead of the increase the division expected, revenues declined by 1.25 percent. The Police Department with the assistance of the Department of Electricity works to identify the jammers and make arrests. But the courts remain unconvinced of the seriousness of the problem. The division expects it to continue.



# STATISTICS

| <u>Zone</u>         | <u>1981-82</u> | <u>1982-83</u> | <u>1983-84</u> | <u>1984-85</u> |
|---------------------|----------------|----------------|----------------|----------------|
| 1                   | \$1,595,413    | \$1,642,118    | \$1,643,114    | \$1,524,695    |
| 2                   | 1,425,915      | 1,513,619      | 1,496,062      | 1,435,140      |
| 3                   | 1,556,627      | 1,584,399      | 1,572,856      | 1,553,943      |
| 4                   | 1,368,907      | 1,449,719      | 1,442,165      | 1,467,587      |
| Dept of Electricity | 9,451          | 13,999         | 15,588         | 22,554         |
| Off Street Lots     | 265,908        | 249,119        | 208,104        | 293,120        |
| Total               | \$6,224,661    | \$6,453,047    | \$6,337,896    | \$6,297,237    |

# RATE DISTRIBUTION OF METERS

|                   | <u>1981-82</u> | <u>1982-83</u> | <u>1983-84</u> | <u>1984-85</u> |
|-------------------|----------------|----------------|----------------|----------------|
| 10 hr 5¢ per hour | 98             | 285            | 366            | 389            |
| 8 hr 20¢ per      |                |                | 100            | 98             |
| 2 hr 20¢ per      | 1,165          | 1,290          | 1,632          | 1,594          |
| 1 hr 20¢ per      | 7,304          | 8,694          | 8,771          | 9,082          |
| 30 min 20¢ hr     |                | 470            | 470            | 511            |
| 1 hr 50¢ per      | 3,900          | 3,846          | 3,940          | 3,928          |
| 30 min 25¢ per    |                | . . . .        | . . . .        | 62             |
| 30 min 50¢ per    |                | 1,464          | 1,506          | 1,416          |
| Other             | 3,781*         |                |                |                |
| Total             | 15,748         | 16,049         | 16,785         | 17,075         |

\* These represent meters for which there are no comparable rates at present.



# PARKING METERS

Meters in Ten Thousands (0,000) ☐ Dollars in Millions (000,000) ☒

